
PepsiC nc. Annual Report 1982
PEPSI
LF POUNDER

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PepsiCo, Inc.

PepsiCo operates in five business segments: beverages, food products, food service, transportation and sporting goods. Each division develops its own plans and goals consonant with its operating environment and PepsiCo's corporate objectives.

The corporation's steady growth is based upon high performance standards, a flexible approach to marketing challenges, and the integrity of its products, people and business practices. Also, the premium placed on results has helped to make PepsiCo products and services brand leaders in the fields in which they compete.

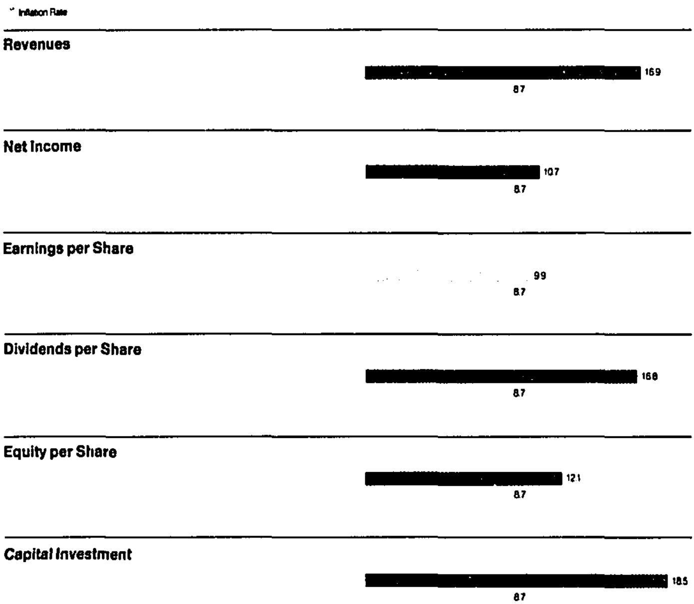
Known around the world, PepsiCo is synonymous with leisure time activity. Its marketing and service divisions, all in growth fields, are synchronized to the popular basics of everyday life.

Financial Summary

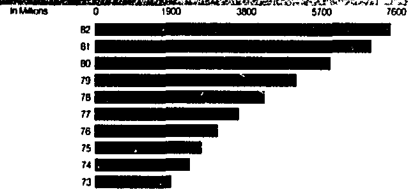
	1982[1]	1981[2]	Change
Revenues	**$7,498,998,000**	$7,027,307,000	+7%
Income before unusual charge	**$303,688,000**	$297,484,000	+2%
Unusual charge	**$79,400,000[3]**	—	—
Net income	**$224,288,000**	$297,484,000	–25%
Net income per share	**$2.40[3]**	$3.22	–25%
Dividends declared	**$147,127,000**	$129,944,000	+13%
Dividends declared per share	**$1.58**	$1.42	+11%
Shareholders' equity	**$1,650,465,000**	$1,556,264,000	+6%
Shareholders' equity per share	**$17.68**	$16.99	+4%
Return on average shareholders' equity	**14.0%**	20.3%	–31%
Plant and equipment expenditures	**$476,178,000**	$414,397,000	+15%

[1] PepsiCo adopted Statement of Financial Accounting Standards No 52 (SFAS 52) on foreign currency translation at the beginning of 1982. Prior year results have not been restated for SFAS 52.
[2] Amounts presented for 1981 have been restated to correct for financial irregularities Previously reported net income was $333.5 million ($3.61 per share)
[3] The unusual charge relates to a reduction in net assets of foreign bottling operations, which reduced net income per share by $.83 The charge is without tax benefit

Growth Rates (Last 10 Years)
PepsiCo's rates of growth in every major category have been substantial over the last 10 years, which included two severe recessions.

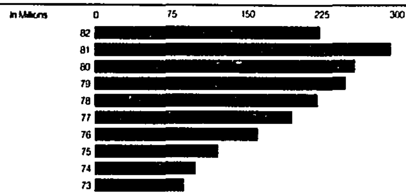


Revenues



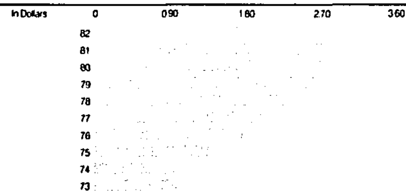
Revenues rose 7 percent in 1982 to $7.5 billion, following an increase of 18 percent in 1981.

Net Income



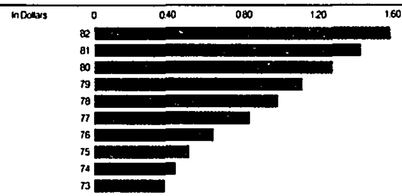
Net income after an unusual charge of $79.4 million declined 25 percent in 1982 to $224.3 million.

Earnings per Share



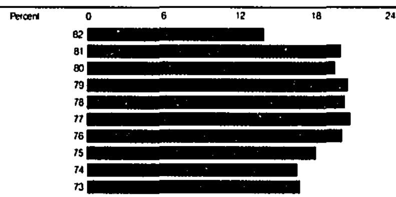
Earnings per share after an unusual charge of $.83 declined 25 percent in 1982 to $2.40.

Dividends per Share



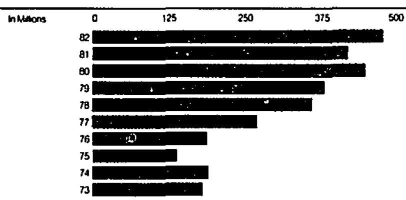
Dividends per share rose for the eleventh consecutive year, up 11 percent, after an increase of 13 percent in 1981.

Return on Average Shareholders' Equity



Return on average shareholders' equity was 14.0 percent, after an unusual charge, down from a restated 20.3 percent in the prior year. Before the unusual charge return on average shareholders' equity was 18.5 percent in 1982.

Capital Investment in Plant and Equipment



Investment in plant and equipment reached a record $476 million in 1982, up 15 percent from the restated $414 million investment in 1981.

Letter to Our Shareholders

For nearly two decades, PepsiCo continually improved its performance despite adverse economic conditions and internal operating challenges that inevitably beset any major enterprise. This was not the case in 1982. However, we believe that PepsiCo emerged from a difficult year as a strong company—with products and services that are brand leaders in the markets in which they compete, with the financial resources to take full advantage of new marketing opportunities, and with the determination to retain our momentum as one of the most successful companies in a highly competitive industry.

In terms of overall financial results, 1982 was very disappointing. It marked the only year since PepsiCo was established in which earnings did not exceed those of the prior year. Revenues increased to a record $7.5 billion But net income declined to $224.3 million, due primarily to an unusual charge of $79.4 million for the reduction in net assets of our foreign bottling unit. Accounting irregularities that we also discovered within this unit required restatement of previously reported results.

We took swift and forceful action to correct these irregularities and to prevent their recurrence. We adopted more centralized financial controls, implemented more stringent auditing procedures, developed more effective marketing and personnel procedures, and replaced all senior management and a number of middle management employees within this unit. We have significantly strengthened our overseas bottling operations at every level.

We must not allow the isolated actions of a few individuals to divert attention from the outstanding achievements of our principal businesses in 1982. Our three largest and most profitable business units—domestic beverage, domestic food products and food service—all recorded substantial earnings increases in a year when the gross national product in the United States experienced the worst decline in 36 years.

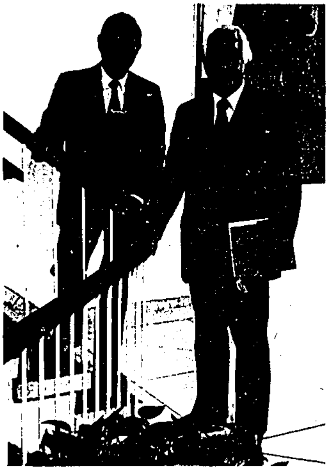
Pepsi-Cola Company gained share of the intensely competitive soft drink market for the seventh consecutive year, and again achieved record sales and profits

Frito-Lay, our largest division and profit contributor, achieved record earnings for the 14th consecutive year. Sales of every major brand of snack foods again were at all-time highs.

Pizza Hut and Taco Bell produced combined record sales and earnings, with real sales per restaurant growing at more than twice the food service industry average. Operating profits were up 46 percent in 1982, following a 38 percent increase the prior year.

Adverse economic conditions in several key foreign markets, however, depressed our international results. A deteriorating economy in Mexico, our largest foreign beverage and snack food market, severely limited earnings in these segments. In terms of local currency, these businesses achieved increased profits in a highly competitive market. The increases were more than offset, however, by the substantial devaluation of the Mexican peso.

In addition to achieving significant progress in our major businesses during 1982, we also laid the foundation for continued growth and increased profitability in the future by launching an impressive array of new and exciting products. New products have been one of the keys to our growth in the past, and some of the actions we've taken to sustain that growth in the years ahead are outlined in a special report on page six.



Donald M. Kendall (right), chairman of the board and chief executive officer, with Andrall E. Pearson, president and chief operating officer.

We have consistently outperformed our competition in the past not only by developing new products and services, but also by creating distinctive strategies to market them and by executing these strategies in a highly professional manner.

We also have demonstrated the ability and willingness to support new products and competitive strategies with our financial resources. In 1982 we continued to invest in our future, with capital expenditures for property, plant and equipment totaling a record $476 million. Our capital expenditures will be even higher in 1983

A key measure of our financial vitality is that in 1982 we were able to fund record capital expenditures, record dividend payments and the $130 million cost of domestic bottling acquisitions almost entirely from cash generated by operations

The fundamental strengths of PepsiCo have not been diminished. On this solid foundation we will continue to build our long-standing reputation for quality products, reliable growth and high returns. Our customers, our employees, our shareholders and our management will accept nothing less.

We note with deep and personal sadness the death on December 6, 1982 of Herman W. Lay. Herman was one of the founders of our corporation and a great friend to all of us who were privileged to work with him. He was a man of great vision, warmth, compassion and vitality, who was as concerned about improving his community as he was about growing his business. Herman Lay contributed significantly not only to the success but also to the spirit of this corporation.

We also will miss the wise counsel of T. Vincent Learson, who will leave our Board of Directors in May 1983, having reached mandatory retirement age. He has served our corporation well for more than nine years. At the same time, we are very fortunate that Robert S. Strauss joined our Board earlier this year. We have high regard for his abilities as both a businessman and a statesman.

Donald M. Kendall

Donald M. Kendall
Chairman of the Board and
Chief Executive Officer

Andrall E. Pearson

Andrall E. Pearson
President and Chief
Operating Officer

New Products – Keys to Growth

PepsiCo's success during the past two decades has been based primarily on the quality of our products and services and on our ability to develop effective competitive strategies that enhance their appeal to consumers throughout the world. During 1982 PepsiCo introduced several major new products that reflect these historical strengths and that provide the foundation for sustained growth and profitability in the future.

One of the key product developments was Pepsi-Cola Company's introduction of Pepsi Free and Sugar Free Pepsi Free, new soft drinks with real Pepsi-Cola taste for the emerging caffeine-conscious segment of the market. These products were an unqualified success, far exceeding expectations. Pepsi Free has demonstrated that it increases sales within the total cola segment and is expected to help increase the company's overall share in the dynamic soft drink market.

Frito-Lay's entry into the cookie market is one of the most significant strategies aimed at building new business. This product category is nearly as large as the company's traditional salty snack market. Capitalizing on its well-developed national store-door delivery and sales system, Frito-Lay introduced a line of high quality cookies and sweet snacks into three test markets, quickly earning Grandma's brand cookies the Number Two position in sales in those combined areas. With nearly 90 percent of the U.S. population still unacquainted with the line, the growth potential is enormous. National distribution should be completed by the the end of 1984.

Pizza Hut has introduced its six-inch Personal Pan Pizza to capitalize on the lunchtime trade, which formerly accounted for only 15-to-18 percent of its total revenue (the food service industry average for lunch is 35 percent). Using recently acquired oven technology, the new pizza is guaranteed to be served within five minutes; baking time traditionally has been over 20 minutes, too long for a fast lunch. The Personal Pan Pizza has been so successful that it is bringing the new lunch customers back for dinner. The effect of adding lunchtime business for Pizza Hut is better utilization of existing assets; the incremental growth could more than double Pizza Hut's midday revenue.

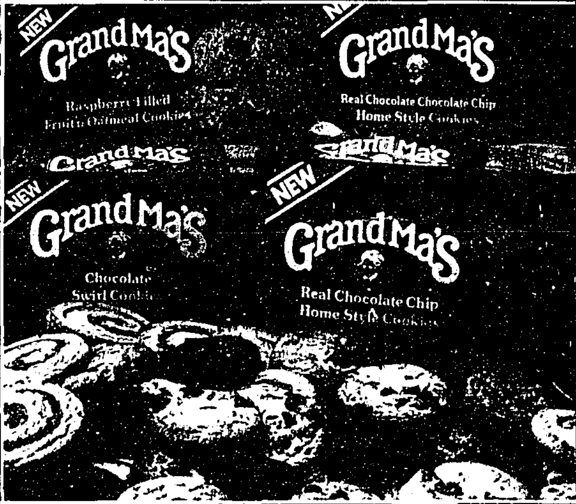
The king-size Taco BellGrande was introduced nationally and has already produced incremental growth for Taco Bell, adding a distinctly new dimension to its menu offerings This business is driven by the excitement generated by new products, and Taco Bell is test-marketing several other possible menu additions. For example, a new chicken burrito has demonstrated great appeal to those who want a lighter and less spicy meal in the same high value/ low price segment of the restaurant market.

North American Van Lines (NAVL), long the nation's premier household goods mover, anticipated the declining demand in that segment of the market and therefore emphasized its High Value Products (HVP) and Commercial Transport Divisions during 1982. In particular, HVP realized significant real growth as manufacturers of popular electronic home and office equipment recognized the cost advantages in shipping their expensive products uncrated in NAVL's padded and climate-controlled moving vans. The HVP and Commercial Transport Divisions' powerful potential should grow over the coming years as NAVL exploits new markets opened up by deregulation of its industry.

Wilson Sporting Goods, reflecting PepsiCo's proven ability to expand overall sales by developing individual segments of the total market with innovative products, introduced the Optic Orange golf ball and the new 1200-Gear Effect line of golf clubs. While the new orange golf balls are becoming so popular that some commercial courses will sell no other (they are easier to see and locate, and tend to speed up the game), the success of the new clubs is based upon their having been proven, by machine test, to be the most accurate on the course. With these items, Wilson's position in golf, a field that grows greener with the "graying of America," is continuing to move ahead of the competition in both sales and share of market.

These are only a few of the ways PepsiCo is building for the future while achieving real growth in a challenging economic environment. Our track record would suggest continued progress throughout this decade.


Pepsi free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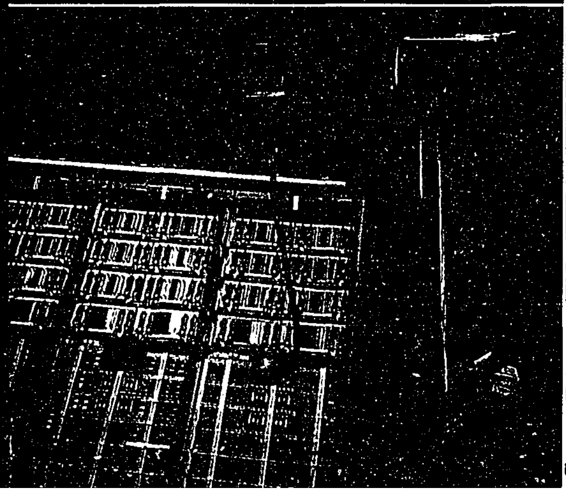
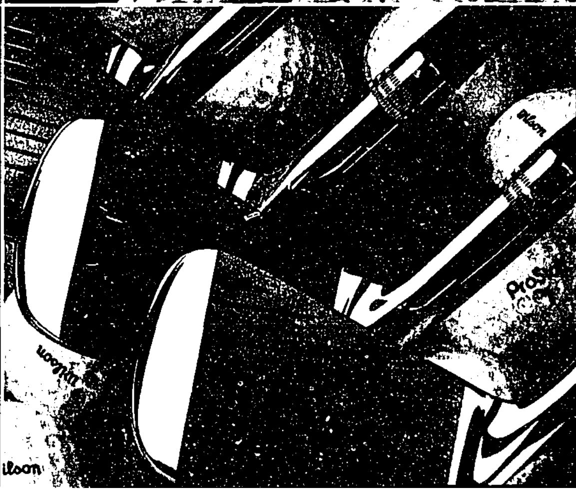
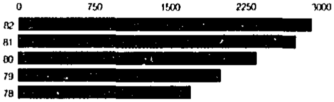
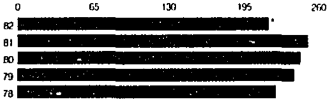



Beverages

Beverages Revenues (In Millions)



Beverages Operating Profits (In Millions)



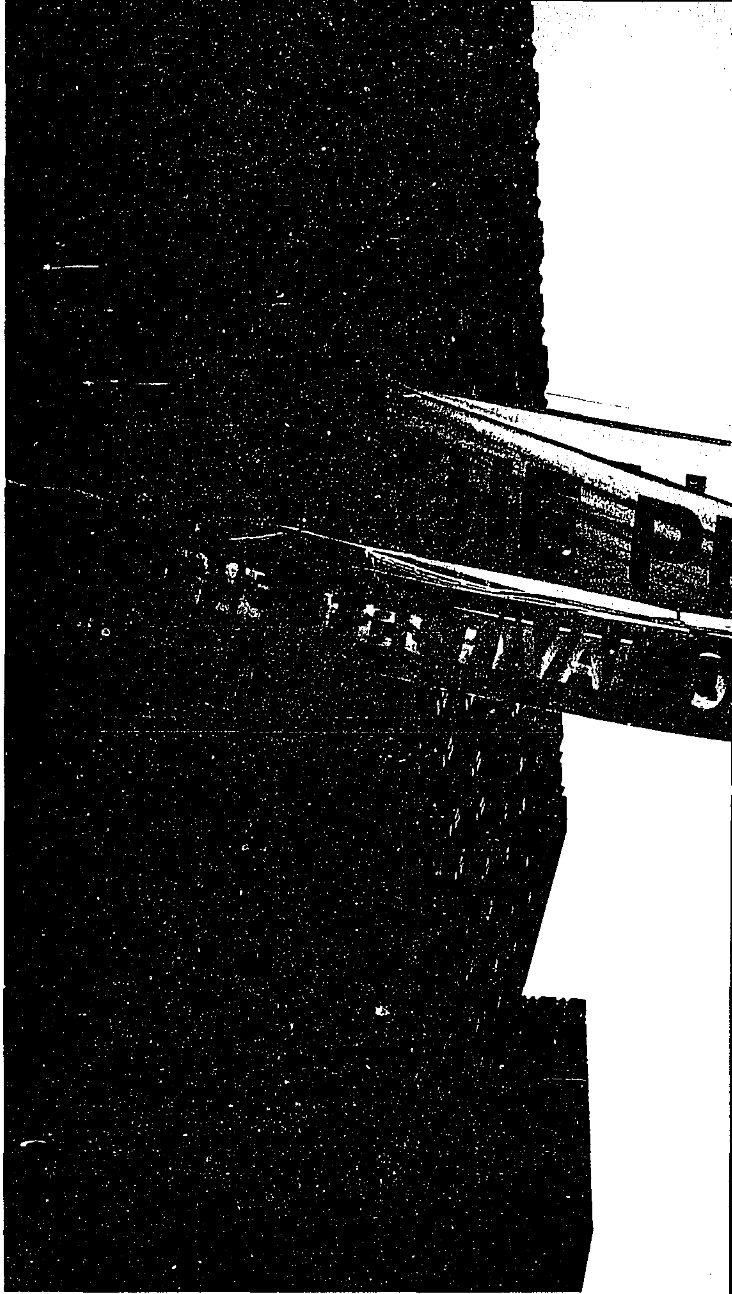
*Excludes a $79.4 million unusual charge to earnings

Soft drinks are the largest of PepsiCo's businesses. Pepsi-Cola Company and PepsiCo International achieved combined sales growth of five percent. Profits were reduced primarily by a special charge to fourth quarter earnings for the reduction in net assets of the company-owned foreign bottling unit.

Pepsi-Cola Company With volume growth outpacing the industry for the seventh consecutive year, Pepsi-Cola Company profits reached record levels, despite heavy investment in new caffeine-free products. The focus on value-added marketing programs, such as the Under-the-Crown sales promotion games and the Pepsi Challenge, complemented price-discount promotions as success factors behind these impressive results.

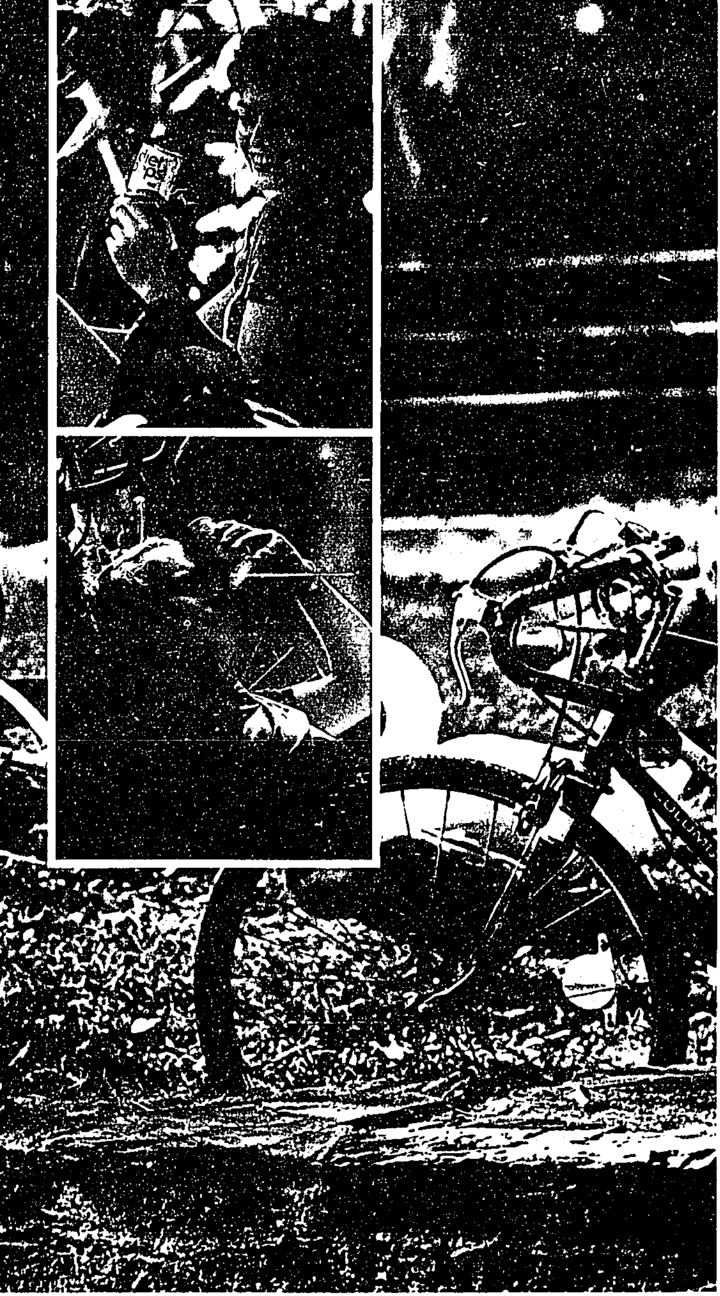
Recession and competitive pressures, however, have made the Pepsi-Cola Company's traditionally strong profit growth objectives more challenging. Consumption of soft drinks has grown modestly, but much of this growth has resulted from widespread discounting and costly marketing programs. With the reduction in disposable income and the increase in unemployment, industry data show a slight shift in consumer buying patterns towards lower-priced brands.

In this highly competitive environment, it is a significant accomplishment



The Pepsi Challenge, centerpiece of Pepsi-Cola's marketing program and its most effective selling tool, was extended to 75 percent of the United States.

After just four months, Pepsi Free achieved major brand status and is headed towards leadership in the caffeine-free category.



that Pepsi-Cola Company's share of market continued to grow. The new caffeine-free entrants, Pepsi Free and Sugar Free Pepsi Free, reached 55 percent of the country by year-end and led the emerging trend in decaffeinated soft drinks. Industry analysts project that caffeine-free colas could ultimately account for as much as 10 percent of industry output The projected growth is a source of great encouragement to Pepsi-Cola Company, especially as Pepsi Free's rate of real growth continues to outstrip the competition

In the diet category, which is projected to grow by the end of the decade to 25 percent of the total market from its current 18 percent share, the company's colas grew faster than the total segment Diet Pepsi placed heavy emphasis on its one-calorie benefit " with great Pepsi taste" Pepsi Light continued to expand its consumer base and achieved double digit growth, highlighting its unique consumer benefit of a "touch of lemon taste" that smooths over any perceived diet cola aftertaste

Pepsi-Cola's Franchise Division and the company-owned and operated Pepsi-Cola Bottling Group strengthened their positions for future growth through effective marketing support and productivity improvement The Food Service Division also achieved strong results in 1982, even though restaurant industry sales were disappointing Pepsi's volume grew at a rate roughly three times the market growth, as the division acquired major new accounts including 7-Eleven and Jack-In-The-Box.

Pepsi-Cola Company continues to outpace overall industry performance Its successful new products and aggressive marketing programs should stimulate continued growth in an increasingly demanding and complex marketplace.

PepsiCo International PepsiCo soft drinks are bottled in more than 600 foreign plants and sold in 148 countries. Adverse economic conditions worldwide and intense competition in several key markets reduced International sales and produced a slight operating loss before the $79.4 million unusual charge in 1982.

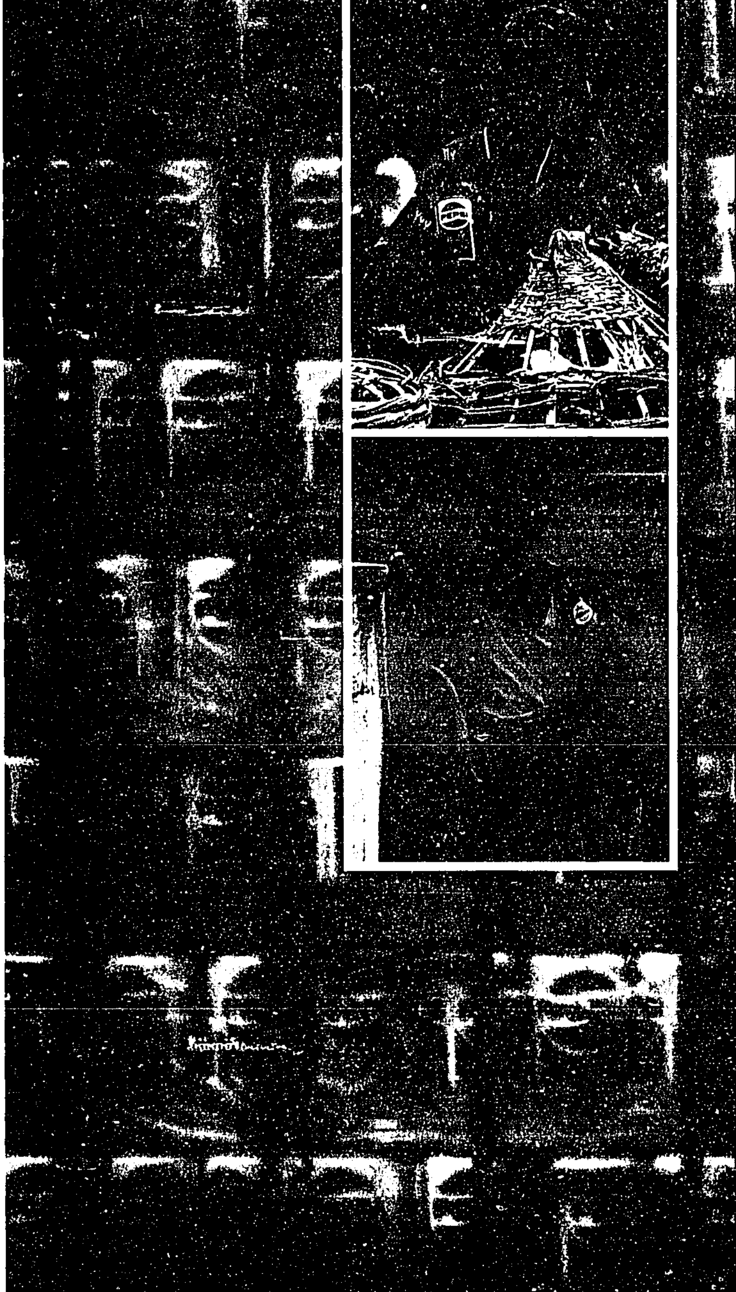
Franchise operations, which account for the bulk of PepsiCo's foreign soft drink sales, maintained volume despite a modest decline in industry sales, and gained market share.

The division's company-owned bottling unit was completely reorganized following discovery of accounting irregularities and improper asset valuations (See Note 2, page 44). New management of PepsiCo Bottling International has adopted more centralized financial controls and improved marketing practices as part of a comprehensive program to strengthen operations at every level.

The International Division achieved important gains in several markets including Saudi Arabia, Egypt, Japan, Nigeria and Venezuela. The Pepsi Challenge campaign stimulated a 24 percent volume increase in the United Kingdom. In Canada, there was a slight upturn in market share and case sales.

These gains were more than offset, however, by economic and competitive difficulties in PepsiCo's two principal overseas markets. Results in Mexico were adversely affected by substantial devaluation of the peso and by government price controls that prevented timely recovery of increased costs. In the Philippines, intense competition produced a significant decline in PepsiCo's volume.

During 1982 PepsiCo International installed 41 new production lines and opened nine new plants, including an operation in the Shen Zhen Trading Zone of the People's Republic of China

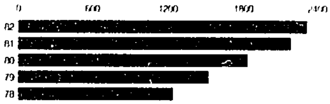


In Nigeria, one of PepsiCo International's strongest markets, case sales increased 45 percent in a market that is growing by 20 percent a year. Three new plants were opened there during 1982.

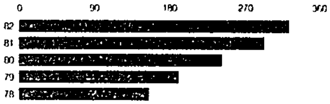
Frito-Lay, PepsiCo's largest profit contributor, achieved record volume and profits for the fourteenth consecutive year.

Food Products

Food Products Revenues (in Millions)



Food Products Operating Profits (in Millions)



PepsiCo's two companies in this business are Frito-Lay, America's leading snack food concern, and PepsiCo Foods International, which manufactures and sells snacks in six nations and Puerto Rico. In 1982 their total domestic and foreign operating profits rose nine percent on a seven percent increase in sales.

Frito-Lay Following a trend of consistent financial gains, Frito-Lay achieved improved results again in 1982. PepsiCo's largest division and profit contributor produced its 14th consecutive year of record earnings. While achieving strong growth on its traditional products in the salted snack category of the snack food business, Frito-Lay also took a major step into the $2.5 billion retail sales packaged cookie market, with the introduction of Grandma's brand cookies in large bags.

Frito-Lay also expanded its product line within the salty snack market, and grew at a faster rate than the industry.

Like most consumer product companies, Frito-Lay was affected by the nationwide recession, yet total sales still climbed 11 percent over 1981. Frito-Lay continued to be the leading company in the snack food industry, a $20 billion market. Lay's brand potato chips were up 16 percent and Ruffles brand potato chips 21 percent. Sales of Doritos brand tortilla chips, the nation's best-selling

brand of snack chips, rose 11 percent over the prior year, while sales of Tostitos brand tortilla chips rose seven percent Sales of Fritos brand corn chips grew at a rate of eight percent.

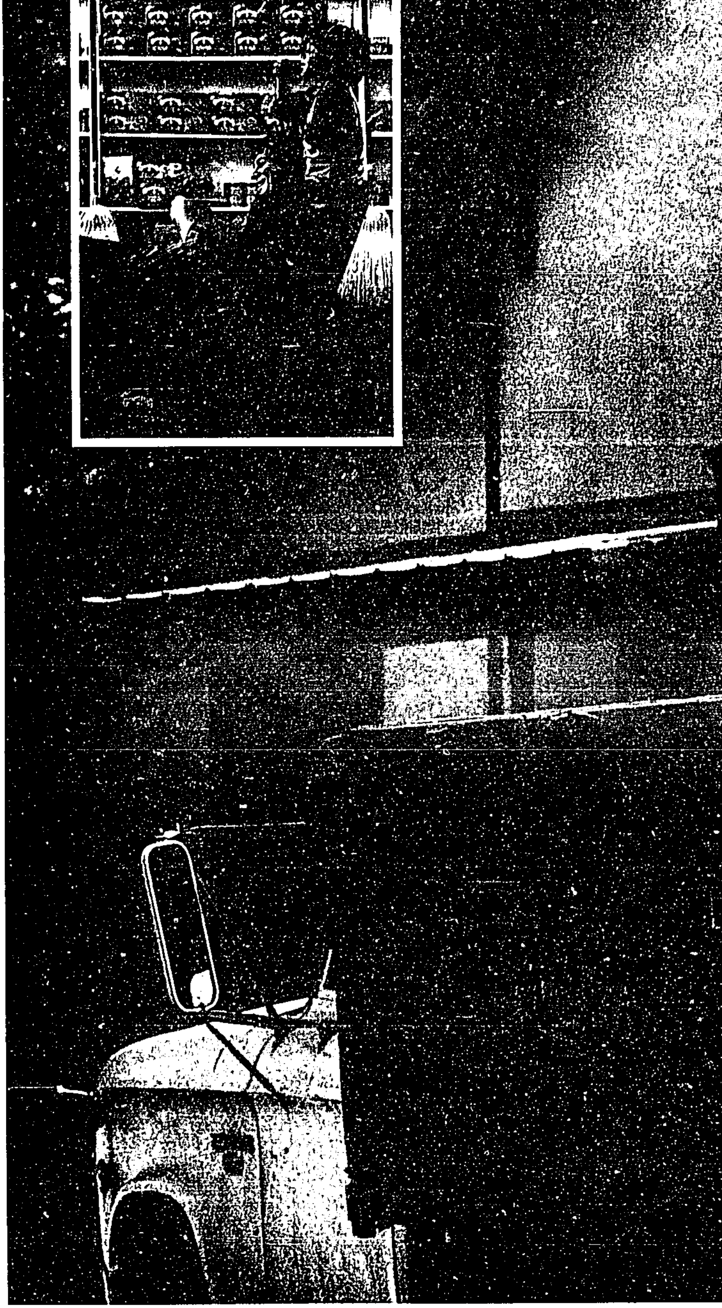
In terms of long-term potential, the most important development at Frito-Lay in 1982 was the introduction of Grandma's brand packaged cookies in test markets equaling approximately 13 percent of the nation's population. Sixteen new cookie products were introduced to retailers' main packaged cookie sections Against firmly entrenched leaders in the packaged cookie market, Grandma's brand cookies quickly captured a strong position despite heavy opposition.

The company continued its successful strategy of new product introductions in 1982, with the return to robust expansion of its tortilla chip business Doritos brand crispy light tortilla chips were expanded to national distribution, showing strong sales trends and solid potential for future growth

Fritos brand light corn chips also achieved strong sales trends in national distribution With the introduction of Ta-tos, an extra crispy potato chip, Frito-Lay has now segmented the market by size, texture, flavor and package size Ta-tos continued to perform well in its initial test market and was successfully expanded to additional markets in the Middle West

Frito-Lay's record profitability can be traced to a variety of factors, primarily volume growth and favorable commodity prices Additional reasons for continued success were innovative cost-controls, continued productivity improvements, and even more stringent and sophisticated quality controls that offset the impact of a sluggish economy

Frito-Lay's excellent performance during 1982 positions the company well for future growth The company opened a new plant in Rosenberg, Texas and in the near future will open others in Casa



Frito-Lay's store-door sales and delivery system serves not only large supermarkets, but also small convenience outlets including restaurants, taverns, gasoline stations and family-owned stores.

Grande, Arizona and Dallas, Texas The company also continues to invest aggressively in research and development, both to create new products and to develop more efficient ways to produce existing products.

PepsiCo Foods International Profits from continued growth in sales volume at PFI were offset by three major currency devaluations in Mexico. Sabritas, Mexico's leading snack food company, actually achieved real unit growth over 1981 in spite of strong competitive pressure and a rapidly deteriorating economy.

Performance improvements were achieved in PFI's Canadian, Brazilian and Spanish operations. In these countries PFI improved on both its unit sales and share of the snack food market To sustain growth, a number of new products were successfully introduced in addition to line and flavor extensions.

The division's Brazilian business continues to grow, maintaining a leading share of that dynamic market. In Spain, sales are running well ahead of the prior year, stimulated by successful advertising and promotion and the success of a new product, Bocabits, an adaptation of a successful "street vendor" snack

PFI's Japanese venture is solidly profitable, with growth coming from the successful introduction of a cheese-ball snack and the continuing success of Tako Yaki, an octopus-flavored cornpuff designed to appeal to local tastes.

Canadian results were encouraging despite the division's withdrawal from two large but sparsely populated and unprofitable sections of the country. In the two principal markets in Canada, Ontario and Quebec, PFI holds the Number Two position

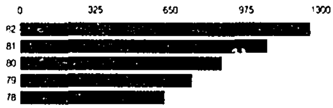
In 1982 PFI entered into joint ventures in Thailand and Australia, and continued to identify opportunities in developing countries.

Sao Paulo, Brazil is one of PepsiCo Foods International's most dynamic markets. Four new products were introduced, more than 100 high-potential sales routes were added, and advertising and promotional support were significantly increased.

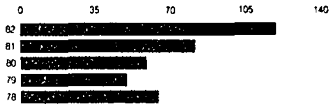
An unqualified success: Pizza Hut's six-inch Personal Pan Pizza has doubled lunchtime revenues in the chain's newly redecorated restaurants.

Food Service

Food Service Revenues (in Millions)



Food Service Operating Profits (in Millions)



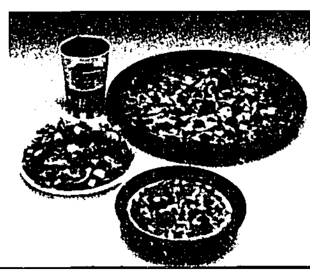
PepsiCo's Food Service Division comprises three parts: Pizza Hut, Taco Bell and PepsiCo Food Service International. PepsiCo's leading position in the industry is based upon 5,593 restaurants, about half of which are franchised.

Combined real sales per company-owned restaurant increased five percent. Revenues increased 18 percent on a 14 percent gain in average restaurant sales. Operating income rose 46 percent.

Pizza Hut The nation's leader in the pizza segment of the food service industry, Pizza Hut achieved new records in sales and profits. The year was characterized by excellence in the execution of new programs that were tested and refined in 1980 and 1981.

The highly successful Pan Pizza was expanded throughout the system, and quickly became a favorite of new customers interested in table service and the full dining experience. The carryout part of the business has also taken huge strides forward. Customers find that Pan Pizza retains its quality as a carryout product and is well-suited to those occasions when people prefer to eat restaurant food in their own homes

During 1982, a total of 440 restaurants implemented a new lunch program with a six-inch Personal Pan Pizza that is served in five minutes This high growth potential product was introduced



New decor and the installation of drive-thru service has significantly increased sales at Taco Bell's restaurants.

to 90 percent of the system by early 1983. This added lunch business for Pizza Hut better employs assets during the slower part of the day and could more than double midday revenue. In addition to incremental luncheon sales, research has shown that the lunch business is already bringing back more dinner customers.

New automated dough-handling equipment was installed in 2,360 restaurants and special conveyorized ovens in 886. This improvement will help ensure uniform high quality pizza across the system, and increase productivity and profitability. In addition, Pizza Hut's image is continually being enhanced through improved training, quality control and management systems, and by the addition of new restaurants and refurbishing of existing units.

Pizza Hut's franchise agreement, renegotiated in 1981, has become a catalyst for the growth of the whole Pizza Hut system, providing increased marketing support and more accurately targeted advertising and promotional programs. This strong and stable relationship has steadily improved restaurant operations and enhanced the company's reputation for quality and service

Taco Bell The year was one of strengthening operating systems and investing in existing restaurants. Taco Bell management emphasized development of more effective management programs to provide the foundation for future growth and to improve food quality and consistency.

One of the most promising new programs is drive-thru service, a new facility modification that can increase the sales of a single restaurant up to 15 percent. Other developments included improving customer service with computerized equipment at the point-of-purchase, more extensive employee training, installation of dual food preparation lines and more efficient seating arrangements. These improvements, as well as careful introductions of new menu offerings have strengthened the basic business, bringing Taco Bell more into the mainstream of nationwide fast-food service

The company's Taco BellGrande, Taco Bell's "Two-Handed Taco," was introduced systemwide in July, and established a pattern of sustained real sales growth, a significant accomplishment in a highly competitive industry

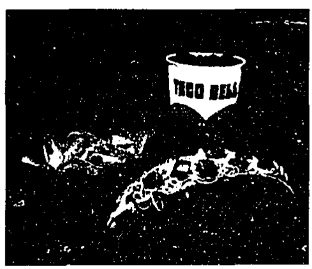
Improved execution of advertising and marketing programs, aggressive refranchising of selected company-owned restaurants, successful promotions with Pepsi-Cola and emphasis on quality food, service and facilities, all combined to do a superior job of attracting customers and satisfying their needs.

To take advantage of this momentum, more new products are planned for late 1983 introduction.

PepsiCo Food Service International PepsiCo's fastest growing division, PFSI, is responsible for foreign restaurant operations and for food and equipment supply systems at Pizza Hut and Taco Bell restaurants in the United States Revenues and profits grew dramatically during the year, due mainly to the success of domestic supply operations and the increase in the number of its company-owned restaurants abroad from 237 to 284 These improvements were partially offset by unfavorable foreign currency translations. Supply operations benefited from dramatic growth in the number of servings at Pizza Hut and Taco Bell.

In local currency terms, the division achieved even more positive results overseas The international food service market now compares with that of the domestic industry 25 years ago, with early stages of development indicating enormous future growth potential Pizza Hut and Taco Bell are the international leaders in their segments, and are well positioned for the aggressive expansion anticipated in 1983.

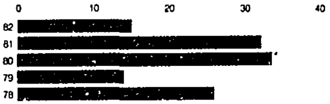
For example, during 1982 joint ventures were formed in the United Kingdom and Mexico to substantially increase Pizza Hut's potential in these major markets. The division's partners in these expansion efforts are Whitbread & Company Ltd., a major U. K. brewer, and Gruma S.A., a leading agricultural products firm in Mexico.



Transportation

Transportation Revenues (In Millions)

Transportation Operating Profits (In Millions)



*Excludes a $17.8 million extraordinary charge to earnings

North American Van Lines, Inc. is a leading household goods mover, quickly growing in new markets opened up by deregulation. Lee Way Motor Freight is a major interregional carrier.

An eight percent downturn in an already weak level of U.S. industrial production, combined with marginal price increases in the trucking industry, produced a significant decline in industry profits.

Revenues in this segment declined five percent, and profits declined 53 percent

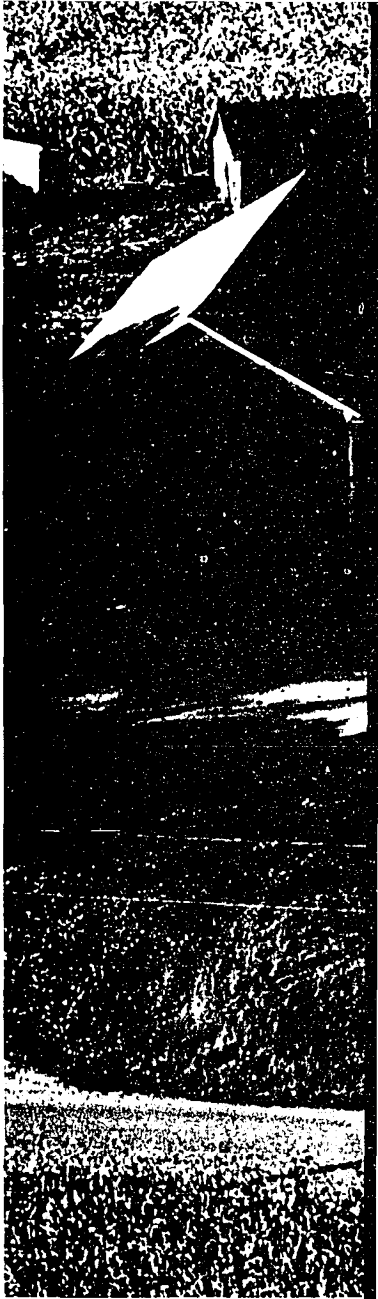
North American Van Lines The effects of the Motor Carrier Act of 1980 continued to create extra industry capacity by permitting new entrants to the full truckload category of the market. This resulted in widespread discounting, which North American (NAVL) balanced with continued productivity improvements and the development of new market opportunities presented by deregulation.

NAVL's High Value Products Division (HVP) took advantage of the rapidly growing demand for high technology products by offering specialized shipping services. For instance, HVP has become the leader in transporting in specially padded vans finished and assembled goods that previously had to be dismantled, wrapped and crated by the shipper.

This division also is adapting its strategies to capture carefully selected growth markets of opportunity, such as the home computer, video entertainment and industrial robot businesses. Office machinery and industrial equipment are also recognized areas of great potential growth, having already accounted for the fastest growing segment of NAVL's business in 1982.

Lee Way Motor Freight Reflecting a continuing sluggish economy, Lee Way's total tonnage fell and the company suffered a loss for 1982. During the year, however, Lee Way consolidated its terminals and services in its strongest geographic regions, resulting in a redirection of the business as a major interregional carrier west of the Mississippi.

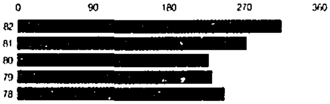
Lee Way again recorded strong gains in its Special Commodities Division, which increased full truckload shipments by 44 percent. As the economy improves, Lee Way is in a position to capitalize on its superior service and innovative contract programs



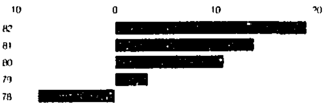
North American Van Lines is emerging as a leading carrier in the specialized and high-value products transportation industry, a new and growing segment of the transportation market.

Sporting Goods

Sporting Goods Revenues (in Millions)



Sporting Goods Operating Profits (in Millions)



Wilson Sporting Goods finished its fourth straight year of earnings improvement. Profits increased 37 percent on a 15 percent revenue increase, which resulted from real volume growth in a difficult and competitive market environment

Wilson again led the industry in golf sales, maintained its share of racket sports and gained share in important segments of the team sports market.

In golf, Wilson was the first major company to introduce the Optic Orange golf ball, and this product innovation is meeting with resounding success. Full capacity production was necessary to meet worldwide demand. The Wilson 1200-Gear Effect golf clubs, introduced in 1981, met with exceptionally favorable consumer and trade acceptance in their first year, and became the third most popular pro club, the leader being Wilson Staff. This performance was complemented by very strong sales of the recently introduced women's Tiara clubs

Wilson is now launching a "metalwoods" series to further develop the game-improvement segment of the market, and also introducing an Optic Yellow golf ball.

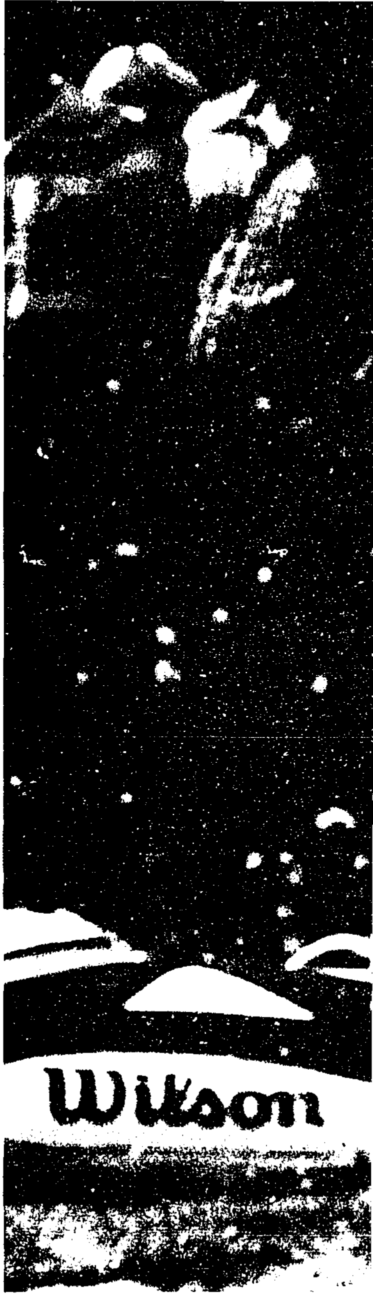
A great deal of attention is being attracted to the metalwoods because professionals claim they deliver greater distance and accuracy. The clubs are hollow, filled with foam, and perimeter weighted. This means the clubhead has more resistance to twisting on impact. There is less torque on off-center hits, so the ball travels farther and straighter This latest development in golf equipment appears to have great potential, and Wilson is making wide inroads into the market.

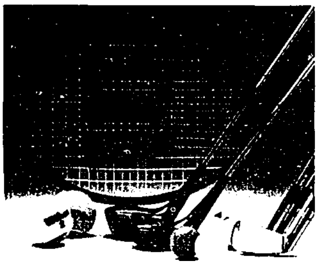
In tennis, Wilson has improved its market position by introducing new rackets into the segment where most consumer interest lies: the mid- and large-size heads. These are the Sling and Ultra graphite rackets, and the Kramer mid-size wood racket with a graphite insert.

Wilson also has done well in the overall team sports market, expanding its market position and outperforming an industry that is in a decline due to the weak economy. Particularly successful were top-of-the-line footballs and basketballs and other quality, durable items All points scored in the NFL and NBA since World War II have been scored with Wilson balls. Such acceptance and endorsement by professionals helps ensure success in the consumer market.

In its international business, Wilson's results improved over the prior year, with strong growth in Canada, the United Kingdom and in military sales.

Wilson is outperforming its competition through continued implementation of successful cost reduction and inventory control programs, and is leveraging its strong market position with sales incentives for trade customers who increase their purchases. These programs provide the foundations for future growth, and Wilson is prepared to take full advantage of any upturn in the U.S economy.





Professional golfer Jerry Pate, a Wilson Advisory Staff Member, blasts out of a sandtrap at "The World Series of Golf." Wilson's golf clubs are the most popular on the course, holding a leading share in the market.

Corporate Involvement

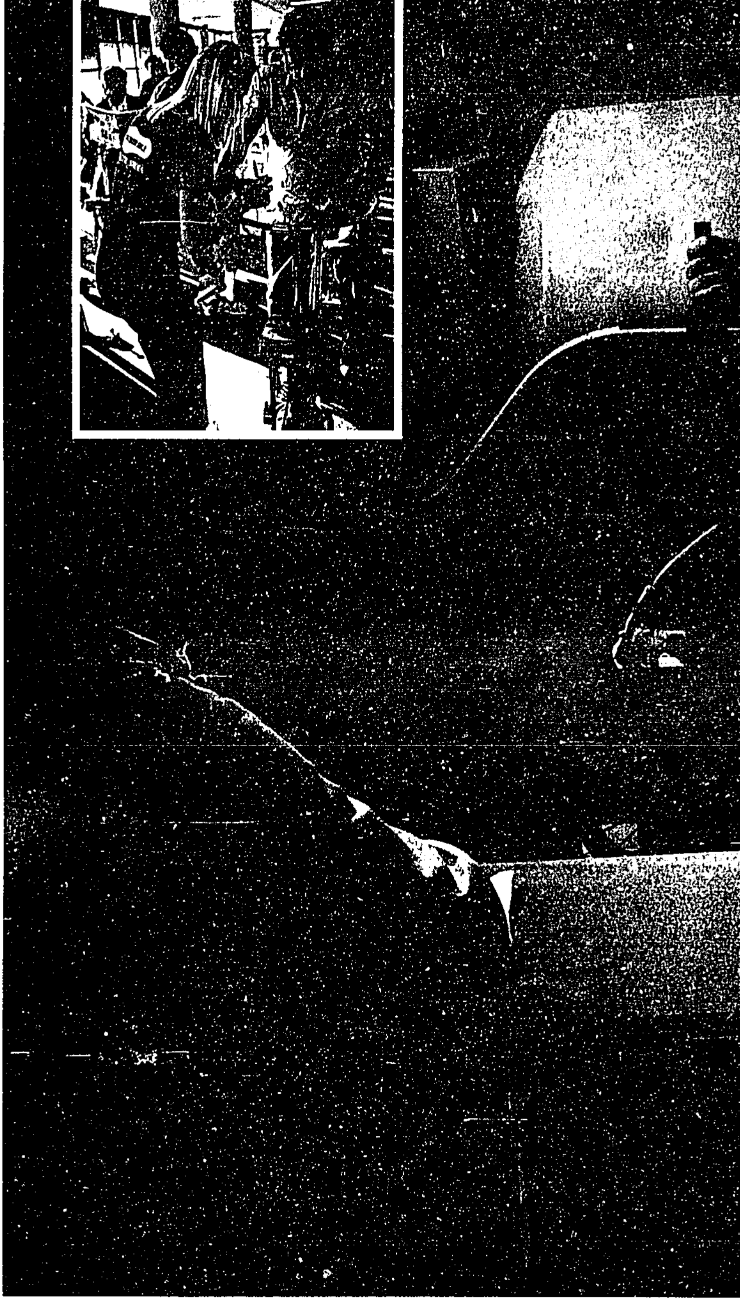
PepsiCo recognizes that its primary responsibility is to maximize the return over time for shareholders. This goal cannot be achieved, however, without attention to the company's impact on society. Beyond producing safe, wholesome, environmentally sound products and treating all publics fairly and responsibly, PepsiCo believes that action must be taken to preserve and enhance the environment in which its divisions operate

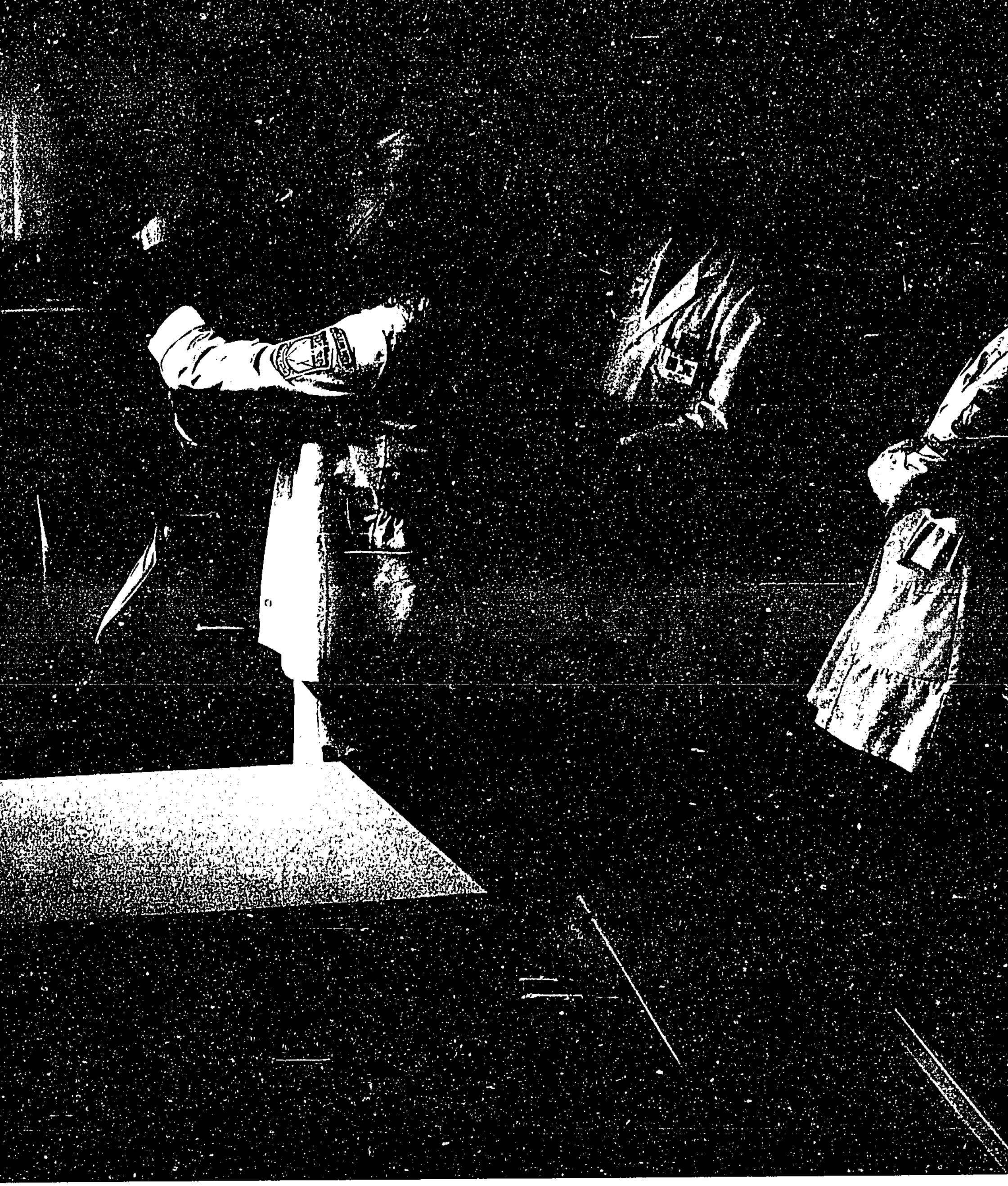
Contributing to programs that both respond to the needs of society and relate to corporate objectives is one way PepsiCo exhibits this concern The PepsiCo Foundation has targeted its funds in the fields of preventive medicine, higher education and the arts

Recognizing the importance of preventive medicine to a healthy and well-functioning society, PepsiCo has taken a leadership role in the fields of fitness research and fitness education for youth For example, "PepsiCo Fellows" were named at four major medical institutions—the Mayo Clinic and Harvard, Stanford and Duke Universities—to study the relationship between exercise and fitness In addition, PepsiCo provided the Boys Clubs of America with seed money for the development of SuperFit All-Stars, a national health-related fitness program for young people.

A strong educational system is critical to a corporation's future, as well as to the national vitality. The foundation has therefore focused on innovative education projects, including several that are designed to improve the quality and availability of educational opportunities for members of minority groups at both the undergraduate and graduate levels

PepsiCo's active support of the arts is based on the belief that it enhances the quality of life for everyone. Joining with the State University of New York in creating a unique public/private partnership, PepsiCo has provided sole sponsorship for "PepsiCo Summerfare," a nationally recognized performing arts festival that features a broad spectrum of professional groups in dance, theatre and music.





Fitness research, conducted at Duke University and other major medical centers, represents a major investment of the PepsiCo Foundation in seeking ways to improve the quality of life.

Financial Review

Analysis of Operations

PepsiCo revenues increased seven percent to $7.5 billion in 1982, following an 18 percent gain in 1981. Gains in unit volumes provided a substantial portion of the revenue increases, accounting for 65 and 40 percent of the respective revenue growth in 1982 and 1981. Net income was $224.3 million, with earnings per share of $2.40 in 1982. These results compare to net income of $297.5 million and earnings per share of $3.22 in 1981. Net income for 1982 was adversely affected by an unusual charge to fourth quarter earnings of $79.4 million or $.83 per share for the reduction in the net assets of PepsiCo's foreign bottling unit. This unusual charge was without tax benefit. All figures for both 1981 and 1980 have been restated to adjust for financial irregularities in company-owned foreign bottling operations which led to the overstatement of net income in previously reported results. (See Note 2 to Consolidated Financial Statements for further detail on the restatement of results for 1978 through 1982 and the unusual charge.)

The net income decline in 1982 was the result of the fourth quarter unusual charge. The closing of a company-owned bottling plant in Dusseldorf, West Germany resulted in an additional $7.0 million charge to fourth quarter earnings. Other unfavorable effects on total PepsiCo earnings in 1982 included difficult economic and competitive conditions in overseas beverage and domestic transportation businesses, as well as the massive devaluations of the Mexican peso which reduced results in foreign beverage and food products operations.

Combined costs of sales and other operating revenues, up two percent in 1982 and 14 percent in 1981, continued to increase less rapidly than total revenues. Domestic beverage and food products costs benefited from favorable commodity and material costs and increased manufacturing efficiencies. The impact of inflation on costs is reviewed under Discussion of the Effects of Inflation below. Gross profit margins recorded another substantial increase in 1982 as a result of the favorable cost performance and price increases taken during the year. These improvements, together with the growth in volume, resulted in gross profit gains of 11 percent in 1982 and 21 percent in 1981.

During 1982 PepsiCo continued to spend heavily on marketing programs and new product introductions, particularly within the competitive domestic soft drink and food products businesses. Marketing, administrative and other expenses in total increased 13 percent during the year, following a 23 percent increase in 1981. Advertising and marketing expenditures alone increased 22 percent in 1982 and 25 percent in 1981.

Foreign currency translation gains were $12.3 million in 1982, compared to $22.7 million in 1981 and $12.5 million in 1980. The figures are calculated on the basis of Statement of Financial Accounting Standards (SFAS) No. 52 in 1982 and SFAS 8 in 1981 and 1980. The foreign currency gains in 1982 were primarily due to the devaluation of hyperinflationary foreign currencies in which PepsiCo was in a net monetary liability position. The gains in 1981 resulted from a combination of the general strength of the U.S. dollar and the accounting for results on the basis of SFAS 8. For comparability, if 1981 results had been calculated on the basis of SFAS 52, foreign exchange gains would have been $2.8 million and net income would have been reduced by $11.2 million to $286.3 million. (See Note 3 to Consolidated Financial Statements for a more complete discussion of SFAS 52.)

Profits before interest, taxes and the unusual charge increased five percent in 1982, with major areas of strength in Food Service and the domestic food products and beverage operations. Profits in 1982 also benefited from a $12.0 million increase to income, associated with a leasing transaction. Food Products, Food Service and domestic beverage paced the 13 percent increase in profits before interest and taxes in 1981.

Interest expense (after deducting interest income) increased $8.3 million to a total of $113.1 million in 1982 due to somewhat increased volumes of debt and higher interest rates during the year. This compares with a $22.1 million increase in 1981, which resulted primarily from an increase in rates over those in 1980.

The provision for U.S. and foreign income taxes was 42.8 percent of income before taxes and the unusual charge in 1982, compared to 41.5 and 43.5 percent of income before taxes in 1981 and 1980, respectively.

PepsiCo's return on assets employed declined to 10.1 percent in 1982, compared to 14.0 percent in 1981 and 13.4 percent before the extraordinary charge related to the write-off of motor carrier operating rights in 1980. The major reasons for the decline in 1982 were the $79.4 million unusual charge to earnings and PepsiCo's investment in tax leases begun in the last quarter of 1981. Excluding the unusual charge alone, return on assets employed would have been 12.6 percent in 1982. Excluding the unusual charge in 1982 and the investment in tax leases in 1982 and 1981 (which should be viewed as low cost financings), return on assets employed would have been 13.5 percent in 1982 and 14.3 percent in 1981. Over one-half of this decline in 1982 is attributable to an increase in net assets employed, most of which relates to substantially increased expenditures for plant, equipment and acquisitions. Return on average shareholders' equity declined from 20.3 percent in 1981 to 18.5 percent and 14.0 percent before and after the unusual charge, respectively, in 1982.

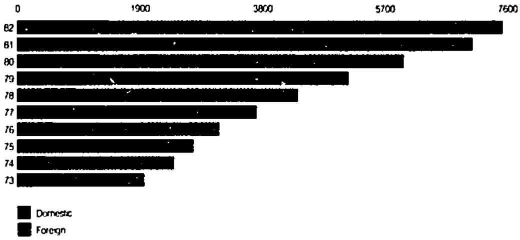
Beverage

Revenues for combined domestic and foreign beverage operations rose five percent in 1982, as strong domestic sales gains resulting from both price and volume increases were partially offset by sales declines overseas. Combined revenue growth was down from 17 percent in 1981 primarily due to the reduction overseas, which resulted from somewhat lower volume and the general strength of the dollar. Domestic bottlers' case sales growth of two percent was

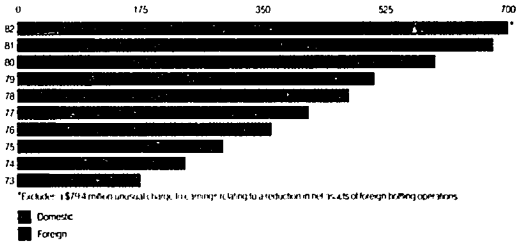
slightly greater than the market in total, but down from six percent in 1981, reflecting increased price and new product competition within the industry and unfavorable economic conditions. Overseas case sales declined three percent in 1982, reflecting worldwide economic difficulties and increased competition. Overseas case sales increased two and one-half percent in 1981.

Segment operating profits before the $79.4 million unusual charge declined 13 percent in 1982 as strong domestic growth was offset by reductions overseas. In 1981 segment profits rose three percent as comparable domestic gains offset smaller declines overseas. Domestic profit growth in 1982, although less than proportionate to sales, was achieved in an operating environment which became increasingly more difficult as the year progressed. Domestic results were aided by favorable material costs and price increases, but were adversely affected by introductory costs associated with Pepsi Free, intense price competition in Pepsi-Cola Bottling Group markets and a nine-week strike at the company-owned bottling facility in Detroit. Pepsi Free, a new caffeine-free cola in regular and sugar-free versions, was distributed in more than 50 percent of the domestic market by year-end 1982. Overseas operations, excluding the $79.4 million unusual charge, recorded a slight loss in 1982. Foreign results were adversely affected by weak economic conditions and reduced volumes, increased competition in key markets, devaluation of the Mexican peso and the inability to effect timely price increases in Mexico due to government controls. Comparisons to 1981 are further impacted by substantial foreign exchange gains in 1981, which resulted from the use of SFAS 8 for all foreign entities.

Domestic and Foreign Revenues (In Millions)



Domestic and Foreign Operating Profits (In Millions)



Food Products

The Food Products segment recorded substantially increased results in 1982. The rate of growth declined from 1981 as continued strong domestic operations were partially offset by the negative impact of the Mexican peso devaluations on overseas results. Segment revenues rose seven percent in 1982 following a 19 percent increase in 1981. Substantial volume gains continued both at home and abroad in 1982, although fourth quarter growth was adversely affected by reduced market growth and continued economic weakness in the United States and by worsened economic conditions in Mexico, our major foreign market. Domestic volume rose seven percent in 1982, compared to six percent in 1981. Overseas volume grew six percent in 1982, compared to 16 percent in 1981. Segment operating profits increased nine percent in 1982 on the basis of continued large increases in domestic profits. Favorable corn, potato and vegetable oil costs, together with increased volume, more than offset the lack of domestic pricing action in 1982 and the increased costs associated with the rollouts of Fritos brand Lights and Doritos brand Crispy Lights and the successful test marketing

of Grandma's new packaged cookies. Foreign operating profits were severely reduced in 1982 as the impact of the devalued Mexican peso more than offset pricing actions taken within Mexico. In 1981, prior to the Mexican peso devaluations, foreign profits rose substantially and segment profits increased 21 percent over 1980.

Food Service

Food Service recorded another very successful year in 1982 as Pizza Hut and Taco Bell improved their respective leadership positions in the pizza and Mexican fast food segments. Food Service revenues advanced 18 percent in 1982, following a 23 percent increase in 1981. This growth continued to reflect increased average store sales, which grew 14 percent at company-operated Pizza Hut *and Taco Bell restaurants in 1982, following an 18 percent increase* in 1981. Average real volume per store increased five percent in 1982, more than twice the industry average, paced by the success of Pan Pizza and continued large volume gains at Pizza Hut. This followed real volume gains of seven percent in 1981. Volume growth in 1982 also benefited from the successful second-half introduction of Taco BellGrande (an extra large, high quality taco), various enhancements to store decor and installation of the latest food *handling equipment designed to reduce customer waiting time.* Operating profits for the segment rose 46 percent in 1982, mainly the result of increased volume and pricing. Results also benefited to a lesser degree from the refranchising of a number of company-owned stores in the fourth quarter of 1982. Segment profits advanced 38 percent in 1981.

Transportation

PepsiCo's transportation segment results declined in 1982 as the unfavorable economic and competitive industry conditions of 1981 intensified and persisted throughout the current year. Segment revenues declined five percent in 1982, following an 11 percent rise in 1981. Operating profits dropped 53 percent, compared to a four percent decline in 1981. Despite the difficult environment, however, North American Van Lines recorded small shipment gains in 1982 and maintained operating profits at approximately the same level as 1981 A more favorable economy resulted in larger growth in 1981. Lee Way Motor Freight was particularly hard hit by the unfavorable economic and competitive conditions in 1982, as significantly reduced revenues and heavy price discounting within the industry produced an increased operating loss in 1982.

Sporting Goods

Sporting Goods segment results continued strong in 1982, with revenues and operating profits up by 15 and 37 percent, respectively This followed comparable gains of 20 and 28 percent in 1981. Favorable 1982 results reflected continued large volume gains and the successful introduction of new products such as the Optic Orange golf ball. Increased operating profits and margins also benefited from an improved product mix and tight control of *operating expenses*

Capital Spending

PepsiCo's expenditures for plant and equipment (including capital leases) increased to a record $476 million in 1982 following expenditures of $414 million in 1981 and $447 million in 1980. In addition, domestic bottling units in strategic sections of the country were acquired at a cost of $130 million in 1982. The increased level *of total expenditures continues to reflect PepsiCo's investment for* future growth. The majority of 1982 spending was devoted to increasing capacity and distribution capabilities in Food Products and Beverage along with expansion and remodeling efforts in Food Service Investment in returnable bottles and cases was $57 million, compared to $76 million in 1981 In Food Products, Frito-Lay continued to upgrade and expand production and distribution facilities to meet ongoing volume growth. Investment in additional store units, *improved food handling equipment and remodeling efforts at Pizza* Hut and Taco Bell continued to reflect excellent growth in the food service area.

Business Segments

Revenues (in millions)	1982[1]		1981[2]		1980[2]	
	$	%	$	%	$	%
Beverage[2]	2,908.0	39	2,772.3	40	2,367.8	40
Food products	2,323.8	31	2,177.9	31	1,830.7	31
Food service	1,260.6	17	1,069.8	15	872.7	14
Transportation[3]	688.1	9	725.9	10	655.1	11
Sporting goods	318.5	4	277.3	4	230.2	4
Total[2][3]	7,499.0	100	7,023.2	100	5,956.5	100
Foreign portion[2]	1,450.8	19	1,594.5	23	1,335.3	22
Operating Profits (in millions)[4]						
Beverage[2]	217.7[5]	31	251.6	37	243.9	41
Food products	326.4	47	298.5	44	245.8	41
Food service	119.3	17	81.9	12	59.5	10
Transportation[3]	15.2	2	32.4	5	33.9[6]	6
Sporting goods	19.2	3	14.0	2	10.9	2
Total[2][3]	697.8[5]	100	678.4	100	594.0[6]	100
Foreign portion[2]	22.0[5]	3	103.2	15	101.0	17

	Identifiable Assets			Depreciation and Amortization Expense			Capital Expenditures[8]		
	1982[1]	1981	1980	1982[1]	1981	1980	1982	1981	1980
	$	$	$	$	$	$	$	$	$
Beverage[2]	1,388.8	1,338.1	1,248.4	81.2	72.0	57.0	111.2	129.4	142.1
Food products	949.5	945.3	791.9	70.9	62.0	49.4	166.8	141.9	176.1
Food service	649.9	567.1	520.4	44.4	38.5	34.8	128.0	87.8	83.4
Transportation	278.0	284.5	292.3	23.2	22.2	21.5[6]	28.9	38.2	32.7
Sporting goods	284.5	261.3	229.5	5.9	5.2	4.9	11.0	9.5	4.1
Corporate[7]	646.8	643.7	317.4	4.8	5.6	5.3	30.3	7.6	9.0
Total[2]	4,197.5	4,040.0	3,399.9	230.4	205.5	172.9	476.2	414.4	447.4
Foreign portion[2]	1,265.5	1,231.4	1,037.9	52.0	49.6	37.0	73.0	114.1	121.3

[1] PepsiCo adopted Statement of Financial Accounting Standards No. 52 (SFAS 52) on foreign currency translation at the beginning of 1982. Prior year results have not been restated for SFAS 52 (see Note 3 to Consolidated Financial Statements).

[2] Amounts presented for 1981 and 1980 reflect the restatement described in Note 2 to Consolidated Financial Statements. The effect of the restatement was to reduce beverage, foreign and total operating profits by $30.3 million and $30.8 million in 1981 and 1980, respectively. The impact of the restatement on revenues was not significant.

[3] Excludes the results of PepsiCo Building Systems, which was sold in the second quarter of 1981.

[4] Excludes general corporate expenses and interest expense (net) which totaled as follows (in millions): 1982, $167.3; 1981, $170.1; 1980, $132.5.

[5] Excludes a $79.4 million unusual charge to earnings without tax benefit during the fourth quarter, relating to a reduction in net assets of foreign bottling operations (see Note 2 to Consolidated Financial Statements).

[6] Excludes a $17.8 million extraordinary charge related to write-off of operating rights (see Note 11 to Consolidated Financial Statements).

[7] Corporate assets are principally marketable securities, investment in tax leases and administrative office buildings.

[8] Excludes expenditures for returnable bottles and cases.

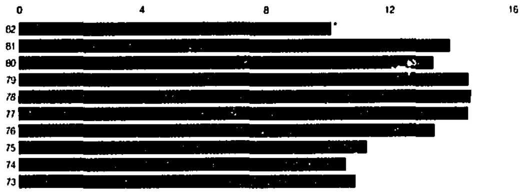
Liquidity, Financial Resources and Capital Structure

PepsiCo is committed to long-term growth in profits and return on assets. Management continues to plan for this future growth through the allocation of financial resources to businesses and investment projects which meet appropriate return criteria. In support of future growth objectives, PepsiCo manages its capital structure and the use and maturity mix of external funds to retain financing flexibility and minimize long-term financing costs The result, when combined with the continuing growth of funds from operations, is a very strong financial position.

Internally-generated funds in 1982 continued to supply the vast majority of PepsiCo's financial needs. In both 1982 and 1981, cash provided by operations covered more than 95 percent of total expenditures for plant and equipment, acquisitions and dividends. This was a major achievement in 1982, a year in which total expenditures for plant, equipment and acquisitions increased to $606 million from $414 million in 1981. Cash provided by operations totaled $722 million in 1982, an increase of 40 percent or $207 million over 1981. Working capital provided by operations of $610 million increased 12 percent from $545 million in 1981 and favorable working capital management provided a net source of cash of $112 million, compared to a $30 million net use of cash in 1981. The $79.4 million unusual charge to earnings in 1982 was a non-cash charge which did not reduce cash provided by operations In 1981, cash provided by operations of $515 million rose 12 percent or $57 million from 1980 due to a 19 percent increase in working capital provided by operations.

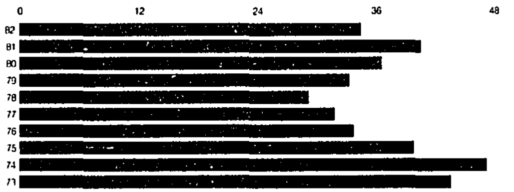
During 1982, internal sources of cash were supplemented by the issuance of $63 million in capital stock, the majority of which was used to partially finance domestic bottling acquisitions PepsiCo's investment in tax leases also provided a $227 million net source of cash in 1982. In the last quarter of 1981, PepsiCo invested $367 million to purchase accelerated depreciation deductions and tax credits from other companies under the Economic Recovery Tax Act of 1981. These investments were funded primarily with commercial paper. After $76 million of related tax benefits realized in 1981, the net investment totaled $291 million at year-end. The $227 million net cash benefit in 1982 reflects the realization of reduced tax payments resulting from the 1981 investments, partially offset by the financing costs of related commercial paper borrowings and $41 million of additional tax lease investments undertaken in 1982. The additional investments, which are within the guidelines of the Tax Equity and Fiscal Responsibility Act of 1982, continue to reflect the favorable financial terms of these transactions They provide PepsiCo with a low-cost source of funds that will generate substantial cash inflows through reduced tax payments during the next several years.

Return on Assets Employed (Percent)



* After a $79.4 million unusual charge to earnings.

Total Debt as a Percent of Capital Employed (Percent)



Total net borrowings were reduced $203 million in 1982, as the major portion of the realized tax benefits from the tax leases was used to reduce related commercial paper borrowings. This followed a $306 million increase in net borrowings in 1981, principally related to the initial investments in tax leases. During 1982 PepsiCo also concluded several long-term refinancings at favorable rates Two zero coupon notes of $100 million and $125 million face value due in 1992 and 1994, respectively, generated initial cash proceeds of approximately $49 million in 1982. In addition, issuance of zero coupon serial debentures with a combined face value of $850 million due in various amounts from 1988 through 2012 generated initial cash proceeds of approximately $54 million in 1982. (See Note 5 to Consolidated Financial Statements for further detail.)

As a result of the reduction in external debt needed to finance the investment in tax leases, PepsiCo's ratio of debt to capital employed decreased to 34.7 percent in 1982, compared to 40 8 percent in 1981 and 36.9 percent in 1980. Excluding the temporary financing for tax leases, the ratio of debt to capital employed would have declined to 33 0 percent in 1982 from 34 5 percent in 1981

In summary, PepsiCo's greatest source of financial strength continues to be its large and growing source of funds from operations. In addition, PepsiCo maintains a strong credit standing and has access to capital markets throughout the world. The company maintains substantial unused bank credit facilities and continues to carry sizable marketable security investments in Puerto Rico that can be repatriated at management's discretion upon payment of a modest tollgate tax. Together, these sources of funds provide PepsiCo with a strong financial base and the flexibility to support continued growth in the future.

	1982	1981[1]
	(in thousands)	
Short-term borrowings—domestic	$ 35,622	$ 241,279
—foreign	133,989	150,347
Total short term borrowings	169,611	391,626
Long term borrowings—current	7,117	6,886
—non-current		
—senior	634,359	581,277
—subordinated	78,152	80,803
Total long term borrowings	719,628	668,966
Total borrowings	889,239	1,060,592
Capital lease obligations		
—current	13,558	10,873
—non-current	151,640	158,947
Total capital lease obligations	165,198	169,820
Total debt (including capital lease obligations)	1,054,437	1,230,412
Shareholders' equity	1,650,465	1,556,264
Total debt and shareholders' equity	2,704,902	2,786,676
Deferred income taxes and other liabilities and deferred credits	337,213	232,074
Total capital employed	$3,042,115	$3,018,750

[1] Amounts presented for 1981 have been restated to correct for financial irregularities, (see Note 2 to Consolidated Financial Statements)

Discussion of the Effects of Inflation

In spite of the slowing of inflation in the current year, the high rates of inflation that have significantly affected the American economy over the past several years have eroded the purchasing power of the dollar and have distorted the conventional measures of financial performance based on historical cost accounting. To assist readers of financial statements in assessing the impact of inflation, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 33 (SFAS 33), Financial Reporting and Changing Prices, which requires the presentation of certain information on the effects of inflation on business enterprises under two different methods: constant dollar and current cost.

The constant dollar method is intended to measure the impact of general inflation on PepsiCo's operations. The restated amounts are referred to as constant dollar amounts since the conventional measures of earnings and capital, which are expressed in dollars of varying purchasing power (historical dollars), have been restated into dollars of the same purchasing power using the Consumer Price Index for All Urban Consumers (CPI-U).

The current cost method attempts to measure the effects of changes in the specific costs of PepsiCo's assets from the dates they were acquired to the present. Several methods were used in estimating these amounts, including direct pricing and indexing, which are intended to reflect costs to replace existing assets with identical assets rather than with different or technologically improved assets. Current costs differ from constant dollar amounts to the extent that the specific costs of PepsiCo's inventories and property, plant and equipment have increased more or less rapidly than general inflation.

The accompanying statement of earnings and five-year summary of selected data reflect certain adjustments to the amounts shown in the primary financial statements using both the constant dollar and current cost methods. Since both methods involve the use of assumptions, approximations, and estimates, readers are cautioned that the following information should not be viewed as precise indicators of the effect of inflation on PepsiCo's operations

Under the guidelines of SFAS 33, only cost of sales and depreciation expense are required to be adjusted in the statement of earnings, since these are the items of income which are most affected by inflation. During inflationary periods these adjustments will usually result in lower earnings than reported in the primary financial statements.

The lower cost of sales amount on a current cost basis, compared to constant dollar, reflects the fact that the rate of inflation in 1982,

as measured by the CPI-U outpaced the increase in the specific costs of PepsiCo's inventories, continuing the trend of the past three years. In other words, for the average two-month period between the time PepsiCo produces and the time it sells its inventories, the increase in cost to replace those inventories has been less than the increase in general inflation.

Although productivity improvements have helped offset the inflationary impact of higher inventory costs on the primary financial statements, it should be noted that the ability of a company to recover cost increases by raising selling prices is subject to normal competitive factors and regulatory conditions.

Unlike inventories, the increase in the current cost of PepsiCo's fixed assets since the time of acquisition, which extends over several years, has been greater than the increase in general inflation as measured by the CPI-U. Consequently, depreciation on a current cost basis has exceeded the same amount on a constant dollar basis. In 1982 the increase in depreciation on a current cost versus constant dollar basis more than offsets the corresponding decrease in cost of sales, with the result that income under current cost is slightly lower than under constant dollar. In 1981, although depreciation on a current cost basis again exceeded depreciation on a constant dollar basis, the differential did not offset the corresponding decrease in cost of sales under the current cost method. Therefore, income under the current cost method was higher than under constant dollar. In 1980 the relationship was more similar to that exhibited in 1982.

In accordance with SFAS 33, restated net income does not reflect an adjustment to historical dollar income tax expense, because present tax laws do not allow deductions for increased depreciation expense and cost of sales due to inflation. Consequently, the 1982 effective tax rate before the unusual charge on both constant dollar and current cost basis is higher than on an historical cost basis, at 51.8 percent and 52.0 percent, respectively, versus the historical effective rate of 42.8 percent.

Besides the impact of inflation on the conventional measures of net income, inflation affects monetary assets and liabilities, such as cash, receivables and payables. During periods of inflation, monetary assets lose purchasing power since they will buy fewer goods or services as the general level of prices rises. Conversely, holders of monetary liabilities benefit during inflation because cheaper dollars are used to satisfy these obligations in the future.

Since PepsiCo had net monetary liabilities during the year, a net gain in purchasing power is disclosed in the adjusted statement of earnings under both the constant dollar and current cost methods. This gain, which amounted to $44,260,000 in 1982, $98,623,000 in 1981 and $119,930,000 in 1980 (stated in average 1982 dollars), should be viewed as part of the overall impact of inflation on operations. Since the interest rate charged by lenders is intended, in part, to compensate them for lost purchasing power during inflation, historical dollar interest expense should theoretically be reduced by the purchasing power gain from holding net monetary liabilities. However, the FASB requires that this gain be shown separately from net income in the statement of earnings.

Statement of Earnings
Adjusted for the Effects of Inflation
For the Year Ended December 25, 1982

(in thousands except per share amounts)

	1982		
	As Reported in the Primary Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales and other operating revenues	$7,498,998	$7,498,998	$7,498,998
Cost of sales, excluding depreciation	2,858,997	2,877,554	2,873,842
Depreciation and amortization	223,505	297,731	303,145
Other operating expenses, net	3,772,910	3,772,910	3,772,910
Net interest expense	113,105	113,105	113,105
Provision for income taxes	226,793	226,793	226,793
Unusual charge	79,400	79,400	79,400
	7,274,710	7,367,493	7,369,195
Net income	$ 224,288	$ 131,505	$ 129,803
Per common share	$ 2.40	$ 1.42	$ 1.40
Purchasing power gain on net monetary liabilities		$ 44,260	$ 44,260
Effect of increase in general price level on inventories and property, plant and equipment during the year			$ 110,524
Decrease in specific prices (current costs)[1]			2,790
Excess of increase in general price level over decrease in specific prices			$ 113,314

[1] At December 25, 1982 current cost of inventory was $422,026 and current cost of property, plant and equipment, net of accumulated depreciation, was $2,745,456

SFAS 33 also requires that increases in current costs based on specific prices of inventories and property, plant and equipment during the year be compared with the amount of such increases based on changes in the general price level. Over the past year the rate of general inflation, as measured by the CPI-U, has increased at a faster pace than the specific prices of PepsiCo's assets, resulting in a net decrease in the current costs of our assets after inflation in 1982, continuing the pattern of the prior three years. The current cost of PepsiCo's assets prior to the adjustment for general inflation has remained relatively flat in 1982 due to the slowing of price increases domestically and the decrease of the current cost of assets of certain foreign operations when translated into U.S. dollars.

In addition to the statement of earnings, various financial data for the past five years have been restated into average 1982 dollars and are presented in a separate schedule. The schedule shows that in "real" terms (i.e., after removing the effects of inflation), both sales and cash dividends per share have grown each year since 1978.

Net income adjusted into average 1982 dollars increased from 1980 to 1981 but decreased from 1981 to 1982. The decline for the current year is attributable primarily to the unusual charge of $79.4 million occuring in the fourth quarter combined with the effect of recomputing the prior year's inflation adjusted results into 1982 average dollars.

The value of PepsiCo's net assets on both a constant dollar and current cost basis is considerably higher than the historical dollar amount primarily due to the impact of inflation on property, plant and equipment. The current cost amount of net assets is higher than the corresponding amount in constant dollars, principally because the prices of PepsiCo's fixed assets have increased at a faster rate than general inflation during the period since acquisition, though the last four years have seen a reversal in that trend.

Between year-end 1978 and year-end 1982, the actual market price of PepsiCo's common stock increased. During the same period, the market price per share adjusted for inflation decreased, although year-to-year changes were volatile, moving in both directions. Considering the many influences on the stock market, it is difficult to evaluate the meaningfulness of this information.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Inflation

(in thousands of average 1982 dollars except per share amounts)

	1982	1981*	1980*	1979*	1978*
Net sales and other operating revenues	$7,498,998	$7,458,129	$6,999,407	$6,766,897	$6,361,984
Constant Dollar Information:					
Net income[1][2]	$ 131,505	$ 217,792	$ 213,546	$ 248,260	
Per common share[1][2]	$ 1.42	$ 2.37	$ 2.34	$ 2.67	
Net assets	$2,241,225	$2,247,811	$2,120,037	$2,083,333	
Current Cost Information:					
Net income[1][2]	$ 129,803	$ 220,858	$ 194,317	$ 219,697	
Per common share[1][2]	$ 1.40	$ 2.40	$ 2.13	$ 2.37	
Excess of increase in general price level over increase in specific prices	$ 113,314	$ 146,106	$ 107,389	$ 74,174	
Net assets	$2,335,256	$2,400,958	$2,391,522	$2,411,795	
Other Information:					
Purchasing power gain on net monetary liabilities	$ 44,260	$ 98,623	$ 119,930	$ 105,966	
Cash dividends declared per common share	$ 1.580	$ 1.507	$ 1.476	$ 1.470	$ 1.442
Market price per common share at year-end	$ 33.62	$ 37.36	$ 29.09	$ 31.44	$ 36.34
Average consumer price index (1967=100)	289.1	272.4	246.8	217.4	195.4

*Based on historical information that has been restated to correct for financial irregularities, (see Note 2 to Consolidated Financial Statements).

[1] Includes a $79,400 unusual charge to earnings without tax benefit during the fourth quarter of 1982, relating to a reduction in net assets of foreign bottling operations (see Note 2 to Consolidated Financial Statements)

[2] Excludes a $17,762 extraordinary charge related to write-off of operating rights (see Note 11 to Consolidated Financial Statements).

Quarterly Financial Data and Information on Capital Stock

The following table presents the summarized as-reported and as-restated quarterly financial data (in thousands except per share amounts) for 1982 and 1981. The restatement had no significant effects on revenues. See Note 2 to Consolidated Financial Statements.

		Gross Profit		Net Income		Net Income Per Share	
1982 Quarters Ended [1]	Net sales and other operating revenues	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated
March 20 (12 weeks)	$1,558,454	$ 827,782	$ 828,759	$ 60,142	$ 63,870	$ 65	$ 69
June 12 (12 weeks)	1,805,004	960,849	957,628	99,618	91,656	1 06	97
Sept. 4 (12 weeks)	1,901,389	1,015,183	1,017,497	113,235	109,419	1 20	1 16
Dec 25 (16 weeks)[2]	2,234,151	1,173,061	1,173,061	(40,657)	(40,657)[3]	(42)	(42)[3]
Total	$7,498,998	$3,976,875	$3,976,945	$232,338	$224,288	$2 49	$2 40

		Gross Profit		Net Income		Net Income Per Share	
1981 Quarters Ended[1]	Net sales and other operating revenues	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated
March 21 (12 weeks)	$1,467,417	$ 750,191	$ 746,824	$ 52,808	$ 47,609	$ 58	$ 52
June 13 (12 weeks)	1,650,310	829,882	828,850	87,504	84,204	.95	91
Sept 5 (12 weeks)	1,743,019	883,243	881,558	101,742	95,448	1 09	1 03
Dec 26 (16 weeks)	2,166,561	1,122,087	1,117,523	91,402	70,223	.99	76
Total	$7,027,307	$3,585,403	$3,574,755	$333,456	$297,484	$3 61	$3 22

[1] PepsiCo adopted Statement of Financial Accounting Standards No 52 (SFAS 52) on foreign currency translation at the beginning of 1982 Prior year results have not been restated for SFAS 52

[2] The fourth quarter data presented above has not been previously published and therefore does not require restatement

[3] Amounts presented for 1982 reflect a $79 4 million unusual charge, to earnings without tax benefit, during the fourth quarter relating to a reduction in net assets of foreign bottling operations. This charge reduced net income per share by $ 83 See Note 2 to Consolidated Financial Statements

Shares of PepsiCo Capital Stock are traded on the New York and Midwest Stock Exchanges. The range of market prices for PepsiCo stock, as reported on the composite tape for issues listed on the New York Stock Exchange, Inc., and the dividends declared in each quarter of the last two years are set forth in the table below. The quarterly dividend was increased 11 percent in May 1982 from 36½ cents per share to 40½ cents per share, following an increase in 1981 of 12.3 percent that raised the per share dividend from 32½ cents to 36½ cents. As of February 17, 1983 the approximate number of holders of record of Capital Stock was 51,000.

Quarter	High	Low	Close	Dividend
1982				
1st Quarter	37¾	31¼	34⅞	36½¢
2nd Quarter	39⅜	34⅞	38¼	40½¢
3rd Quarter	44	36	43¾	40½¢
4th Quarter	50	32⅝	34	40½¢
1981				
1st Quarter	35⅝	26	35⅛	32½¢
2nd Quarter	37⅝	32½	37⅛	36½¢
3rd Quarter	37⅜	31¼	31¾	36½¢
4th Quarter	39¼	29⅞	36⅜	36½¢

Consolidated Statement of Income and Retained Earnings

(in thousands except per share amounts)
PepsiCo, Inc and Subsidiaries
Years ended December 25, 1982, December 26, 1981 and December 27, 1980

	1982	1981*	1980*
Revenues			
Net sales	**$6,747,989**	$6,249,843	$5,271,659
Other operating revenues	**751,009**	777,464	703,622
	7,498,998	7,027,307	5,975,281
Costs and Expenses			
Cost of sales	**2,938,827**	2,849,004	2,475,597
Cost of other operating revenues	**583,226**	603,548	545,419
Marketing, administrative and other expenses	**3,333,359**	2,961,657	2,410,005
Interest expense	**166,194**	149,667	114,673
Interest income	**(53,089)**	(44,830)	(31,951)
	6,968,517	6,519,046	5,513,743
Income Before Income Taxes, Unusual and Extraordinary Charges	**530,481**	508,261	461,538
Provision for United States and foreign income taxes (including deferred: 1982–$74,200; 1981–$22,300; 1980–$22,800)	**226,793**	210,777	200,833
Income Before Unusual and Extraordinary Charges	**303,688**	297,484	260,705
Unusual Charge			
Reduction in net assets of foreign bottling operations (without tax benefit)	**79,400**	–	–
Income Before Extraordinary Charge	**224,288**	297,484	260,705
Extraordinary Charge			
Write-off of motor carrier operating rights	**–**	–	17,762
Net Income	**224,288**	297,484	242,943
Retained earnings at beginning of year	**1,412,636**	1,245,096	1,117,039
Cash dividends (per share: 1982–$1.58; 1981–$1.42; 1980–$1.26)	**(147,127)**	(129,944)	(114,886)
Retained earnings at end of year	**$1,489,797**	$1,412,636	$1,245,096
Net Income Per Share			
Income before extraordinary charge	**$ 2.40**	$ 3.22	$ 2.86
Extraordinary charge	**–**	–	.19
Net income	**$ 2.40**	$ 3.22	$ 2.67

*As restated
See accompanying notes

Consolidated Balance Sheet

(in thousands)
PepsiCo, Inc and Subsidiaries
December 25, 1982 and December 26, 1981

Assets	1982	1981*
Current Assets		
Cash	$ 20,308	$ 28,862
Marketable securities	260,042	210,107
Notes and accounts receivable, less allowance: 1982—$36,181; 1981—$29,587	746,115	741,398
Inventories	414,182	433,614
Current portion of investment in tax leases	12,590	237,663
Prepaid expenses and other current assets	137,335	110,847
	1,590,572	1,762,491
Long-term Receivables and Investments		
Long-term receivables and other investments	148,351	70,577
Investment in tax leases	77,914	53,630
	226,265	124,207
Property, Plant and Equipment		
Land	174,089	156,348
Buildings	678,740	570,074
Machinery and equipment	1,907,815	1,672,845
Capital leases	195,659	190,669
Bottles and cases, net of customers' deposits: 1982—$46,952; 1981—$77,105	100,586	156,141
	3,056,889	2,746,077
Less accumulated depreciation and amortization	1,007,698	845,460
	2,049,191	1,900,617
Goodwill	236,590	155,503
Other Assets	94,852	97,228
	$4,197,470	$4,040,046

*As restated
See accompanying notes

Liabilities and Shareholders' Equity	1982	1981*
Current Liabilities		
Notes payable (including current installments on long-term debt and capital lease obligations)	$ 190,286	$ 409,385
Accounts payable	554,007	465,015
United States and foreign income taxes	59,673	49,721
Other accrued taxes	56,373	54,097
Other current liabilities	485,302	452,463
	1,345,641	1,430,681
Long-term Debt	712,511	662,080
Deferred Income Taxes	249,100	150,700
Capital Lease Obligations	151,640	158,947
Other Liabilities and Deferred Credits	88,113	81,374
Shareholders' Equity		
Capital stock, par value 5¢ per share; authorized 135,000,000 shares; issued: 1982—94,916,223; 1981—94,916,223 shares	4,746	4,746
Capital in excess of par value	242,154	225,208
Retained earnings	1,489,797	1,412,636
Cumulative translation adjustment	(46,013)	—
Less cost of repurchased shares: 1982—1,541,884; 1981—3,310,786	(40,219)	(86,326)
	1,650,465	1,556,264
	$4,197,470	$4,040,046

Consolidated Statement of Changes in Financial Position

(in thousands)
PepsiCo, Inc and Subsidiaries
Years ended December 25, 1982, December 26, 1981 and December 27, 1980

	1982	1981*	1980*
Financial Resources Provided			
Operations			
Income before extraordinary charge	**$ 224,288**	$ 297,484	$ 260,705
Depreciation and amortization	**230,405**	205,477	172,865
Deferred income taxes	**74,200**	22,300	22,800
Unusual charge	**79,400**	—	—
Other	**1,387**	20,024	1,546
Working capital provided by operations	**609,680**	545,285	457,916
Change in components of operating working capital (except cash and marketable securities)			
Notes and accounts receivable	**1,807**	(134,362)	(38,483)
Inventories	**23,555**	(10,754)	(56,222)
Prepaid expenses and other current assets	**(31,484)**	(7,709)	(27,705)
Accounts payable	**84,650**	17,675	80,898
Other current liabilities	**22,434**	101,498	36,270
Taxes payable	**11,504**	3,408	5,598
	112,466	(30,244)	356
Cash provided by operations	**722,146**	515,041	458,272
Realized benefit on investment in tax leases	**283,662**	75,986	—
Property disposals	**24,970**	24,547	30,226
	1,030,778	615,574	488,498
Financial Resources Applied			
Plant and equipment	**476,178**	414,397	447,445
Acquisitions	**130,284**	—	—
Investment in tax leases	**56,318**	367,279	—
Bottles and cases, net	**8,973**	5,313	85,387
Other	**35,115**	9,413	33,959
	706,868	796,402	566,791
Total before financing	**323,910**	(180,828)	(78,293)
Total Financing			
Additions to long-term debt	**149,826**	183,838	190,917
Reductions of long-term debt and capital lease obligations	**(132,561)**	(148,710)	(23,548)
Notes payable	**(220,350)**	270,837	42,729
Cash dividends	**(142,497)**	(126,161)	(111,168)
Capital stock (including conversion of debt)	**63,053**	7,869	6,170
	(282,529)	187,673	105,100
Increase in Cash and Marketable Securities	**$ 41,381**	$ 6,845	$ 26,807

*As restated
See accompanying notes

Notes to Consolidated Financial Statements

Note 1/Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of PepsiCo, Inc. and its subsidiaries. All significant intercompany transactions have been eliminated.

Marketable Securities. Marketable securities are stated at cost which approximates market and include time deposits of $151,171,000 in 1982 and $109,797,000 in 1981.

Inventories. Inventories are valued at the lower of cost (computed on the average, first-in, first-out or last-in, first-out method) or net realizable value (see Note 4).

Tax Leases. The Investment in Tax Leases represents the unamortized cost of tax leases purchased under the "safe harbor" leasing provisions of the Economic Recovery Tax Act of 1981, plus income accrued on the outstanding investment. The investment is reduced as tax credits and tax savings from accelerated depreciation deductions equal to the purchase cost are realized. These tax benefits are not included in PepsiCo's tax provision (see Note 8). The remaining unrecovered cost is amortized by an interest method over the periods during which the company has the use of additional temporary tax savings. The income accrued effectively offsets the incremental interest costs incurred in connection with the funding of the initial investment and results in no effect on net income.

Property, Plant and Equipment. Land, buildings, and machinery and equipment are stated at cost. Depreciation is calculated principally on a straight-line basis over the estimated useful lives of the respective assets.

Valuation of returnable bottles and cases is based on periodic physical inventories of those in-plant and on estimates of those in-trade. In-plant and estimated in-trade breakage, less related customers' deposits, is charged to cost of sales. In deposit markets, returnable bottles and cases are adjusted to deposit value over periods not in excess of their useful lives. In non-deposit markets, returnable bottles and cases are carried at cost and written-off over their estimated useful lives.

Interest Costs Interest costs associated with the construction of new facilities or major expansions are capitalized and amortized to expense over the lives of the related assets. The amount of interest capitalized was $6,097,000 in 1982, $8,965,000 in 1981 and $11,168,000 in 1980 with corresponding reductions in interest expense.

Goodwill. Goodwill represents the excess of cost over net tangible assets of companies acquired and trademarks. Approximately $60 million, relating to acquisitions made prior to November 1,1970, is not amortized unless there is an impairment of value. The remaining $177 million is amortized over appropriate periods not exceeding 40 years. Amortization was $5,843,000 in 1982, $4,081,000 in 1981 and $4,363,000 in 1980.

Marketing Costs. Costs of advertising and other marketing and promotional programs are charged to expense during the year, generally in relation to sales, and, except for materials in inventory and prepayments, are substantially expensed by the end of the year in which the cost is incurred.

Foreign Currency Translation. Effective December 27, 1981, PepsiCo changed its method of accounting for foreign currency translation in order to comply with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Prior years have not been restated for the change and are presented in accordance with SFAS 8, "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements," (see Note 3).

Income Taxes. Deferred income taxes arise from the deferral of investment tax credits, which are amortized over the estimated useful lives of the related assets, and from timing differences between financial and tax reporting, principally financing transactions and depreciation.

Taxes which would result from dividend distributions by foreign subsidiaries to the U.S. parent are provided to the extent dividends are anticipated. All other undistributed earnings of subsidiaries operating outside the U.S. have been reinvested indefinitely in foreign operations. Accordingly, no provision has been made for additional taxes, not material in amount, that might be payable with respect to such earnings in the event of remittance.

Fiscal Year. PepsiCo's fiscal year ends on the last Saturday in December.

Net Income Per Share. Net income per share is computed by dividing net income (adjusted for interest expense related to convertible debentures) by the average number of common shares and common share equivalents outstanding during each year. The conversion of all convertible debentures would not result in a material dilution.

Business Segments. Information related to revenues, operating profits, identifiable assets, depreciation and amortization expense and capital expenditures for PepsiCo's business segments is presented on page 33.

Audit Committee of the Board of Directors. The Audit Committee of the Board, composed entirely of outside directors, meets on a regular basis with PepsiCo's financial management, internal auditors and independent accountants to review internal and external audit plans, activities and recommendations, as well as PepsiCo's financial controls.

Note 2/Restatement and Unusual Charge

In December 1982 PepsiCo completed a review of financial irregularities in company-owned foreign bottling operations, primarily in Mexico and the Philippines. As a result of this review steps have been taken to correct these irregularities, prevent their recurrence and terminate the individuals responsible.

The investigation, conducted by a task force that included special legal counsel and independent accountants, revealed that managers of these subsidiaries working in collusion falsified documents and evaded internal controls to overstate profits and thereby improve the apparent performance of their operations.

These irregularities caused an overstatement of assets, an understatement of liabilities and an overstatement of net income for the period of January 1, 1978 through September 4, 1982, aggregating $92.1 million or 6.6 percent of net income. These adjustments were without tax benefit. As a result of the irregularities, the financial statements for the years 1978 through 1981 have been restated. A reconciliation of previously reported net income and net income per share to restated amounts is shown in the table below The impact of the restatement on revenues was not significant. Interim financial data for previously reported quarters has also been restated (see quarterly disclosure on page 38).

Change in Net Income and Net Income per Share:

	1981	1980	1979	1978
		(in thousands except for per share amounts)		
Income before extraordinary charge as previously reported	$333,456	$291,752	$264,855	$225,769
Decrease in income resulting from restatement	35,972	31,047	14,466	2,555
Income before extraordinary charge as restated	297,484	260,705	250,389	223,214
Extraordinary charge (see Note 11)	–	17,762	–	–
Net income	$297,484	$242,943	$250,389	$223,214
Income per share before extraordinary charge as previously reported	$3 61	$3 20	$2 85	$2 43
Decrease in income per share resulting from restatement	39	34	.15	03
Restated income per share before extraordinary charge	3 22	2 86	2.70	2 40
Extraordinary charge	–	.19	–	–
Net income per share	$3 22	$2 67	$2 70	$2 40

As a result of the restatement previously reported retained earnings at the beginning of 1980 has been reduced by $17,021,000 from $1,134,060,000 to $1,117,039,000.

In addition to investigating financial irregularities, the company also conducted a review of financial practices at company-owned foreign bottling operations. As a result of this review, the net assets of certain operations have been reduced by an amount totaling $79.4 million. This reduction primarily involves a reassessment of the bottle and case inventories required for current operations, and has been accounted for as an unusual charge to earnings, without tax benefit, during the fourth quarter of 1982. The charge reduced net income per share by $.83.

Note 3/Foreign Currency Translation

Effective December 27, 1981 PepsiCo changed its method of translating its foreign operations into U S dollars in accordance with the provisions of Statement of Financial Accounting Standards No 52 (SFAS 52). Under SFAS 52, foreign currency assets and liabilities are generally translated at the exchange rates in effect at the balance sheet date Revenues and expenses are translated at exchange rates which approximate the weighted average rates prevailing during each period. The resulting translation adjustment as well as certain transaction gains or losses are recorded in a separate component of shareholders' equity entitled "Cumulative Translation Adjustment" In hyperinflationary countries, such as Mexico and Brazil, non-monetary assets and liabilites continue to be translated at historical exchange rates and translation gains and losses are included in income.

Amounts reported in the financial statements for periods prior to December 27, 1981 are translated in accordance with SFAS 8.

The opening adjustment to the Cumulative Translation Adjustment account was $26,582,000, which represents the difference between translating non-monetary foreign currency assets and liabilities (principally property, plant and equipment) at current exchange rates at December 27, 1981 instead of the historical exchange rates previously used. An analysis of the changes in the Cumulative Translation Adjustment account for the year ended December 25, 1982 follows:

	1982
	(in millions)
Opening adjustment	$(26 6)
Translation adjustments and gains and losses from certain intercompany balances and hedges	(19 4)
Cumulative translation adjustment at December 25, 1982	$(46 0)

Foreign exchange gains included in the income statement in 1982 totaled $12 3 million under SFAS 52. Foreign exchange gains in 1981 and 1980 totaled $22.7 million and $12.5 million, respectively, computed in accordance with SFAS 8.

Note 4/Inventories

Inventories at December 25, 1982 and December 26, 1981 after restatement are summarized as follows:

	1982	1981
	(in thousands)	
Finished goods	$178,382	$170,830
Raw materials, supplies and in-process	224,050	246,085
Equipment held for resale	18,681	25,844
Total (approximates current cost)	421,113	442,759
Excess of current cost over LIFO cost	(6,931)	(9,145)
	$414,182	$433,614

Inventories valued at LIFO comprised 60% and 53% of inventories at December 25, 1982 and December 26, 1981, respectively

Note 5/Notes Payable and Long-term Debt

Notes payable and long-term debt (less current maturities) at December 25, 1982 and December 26, 1981 after restatement are summarized below:

	1982	1981
	(in thousands)	
Notes Payable		
Current maturities on long term debt and capital lease obligations	$ 20,675	$ 17,759
Commercial paper	24 938	237,992
Other notes payable, primarily to foreign banks	144,673	153,634
Total notes payable	$190,286	$409,385
Long-term Debt (less current maturities)		
Commercial paper, bank loans, notes (1981–12¼%)	$ –	$ 80,000
10⅛% notes due 1986	150,000	150,000
9¼% notes due 1984	100,000	100,000
8¼% notes due 1985	100,000	100,000
8% convertible subordinated debentures due 1996	73,184	75,000
Zero coupon notes, $75,000 face value due 1984 (14 29% semiannual yield to maturity)	61,008	53,163
Zero coupon notes, $100,000 face value due 1992 (14 42% semiannual yield to maturity)	28,124	–
Zero coupon notes, $125,000 face value due 1994 (14 08% semiannual yield to maturity)	27,304	–
Zero coupon serial debentures $850,000 face value due 1988–2012 (13 91% semiannual yield to maturity)	59,331	–
Other	113,560	103,917
Total long-term debt	$712,511	$662,080

PepsiCo maintains bank credit facilities in full support of outstanding commercial paper. At December 25, 1982 PepsiCo had available $110 million of unused lines of credit and $270 million in unused revolving credit agreements. These revolving credit agreements cover loans of up to $245 million maturing January 2, 1988 and $25 million maturing January 2, 1985. These facilities provide the company an ability to refinance short-term borrowings.

During 1982 PepsiCo Capital Corporation, N.V., a wholly-owned subsidiary of the company, issued two series of zero coupon notes of $100 million and $125 million due in 1992 and 1994, respectively. Additionally, PepsiCo Capital Resources, Inc., a wholly-owned subsidiary of the company, issued zero coupon serial debentures due

in various amounts from 1988 through 2012. These notes and debentures are guaranteed by PepsiCo, Inc. The original issue discounts associated with the zero coupon issues above are being amortized over the lives of the issues on a yield to maturity basis. For tax purposes, the original issue discounts are deductible on a straight line basis over the lives of the issues, thus reducing the effective costs of these transactions.

Maturities of long-term debt are as follows: 1983–$7,000,000; 1984–$199,000,000; 1985–$113,000,000; 1986–$157,000,000; and 1987–$5,000,000.

The debt agreements to which PepsiCo is a party include various restrictions, none of which is presently significant to the company.

Note 6/Capital Stock and Capital in Excess of Par Value

The changes in capital stock and capital in excess of par value are summarized as follows:

	Capital Stock		Capital in Excess of	Repurchased
	Shares	Amount	Par Value	Shares
			(dollars in thousands)	
Balance at December 29, 1979	90,954,214	$4,730	$219,951	$(95,092)
Conversion of debentures and other	190,800	9	3,864	190
Exercise of stock options	131,508	7	2,100	–
Balance at December 27, 1980	91,276,522	4,746	225,915	(94,902)
Conversion of debentures and other	160,827	–	(438)	4,193
Exercise of stock options	168,088	–	(269)	4,383
Balance at December 26, 1981	91,605,437	4,746	225,208	(86,326)
Issued for acquisitions	1,217,132	–	9,368	31,721
Issued to TRASOP	286,507	–	5,999	7,470
Payment of compensation awards and exercise of stock options	181,109	–	1,201	4,722
Conversion of debentures	84,154	–	378	2,194
Balance outstanding at December 25, 1982	93,374,339	$4,746	$242,154	$(40,219)

Shares reserved at December 25, 1982 were as follows	
Incentive plan	3,691,276
Stock option plans	33,700
Convertible subordinated debentures (primarily at $38 per share)	1,970,950
	5,695,926

Under PepsiCo's stock option plans, options for 83,814 shares were exercised at prices ranging from $12.67 to $28 31 per share during 1982. Options for 168,088 and 131,508 shares were exercised in 1981 and 1980, respectively, at prices ranging from $12.67 to $28.88 in 1981 and $2.89 to $24.63 in 1980.

At December 25, 1982 and December 26, 1981, there were outstanding options for the purchase of 978,526 and 689,924 shares, respectively, at prices ranging from $23.88 to $43.06 in 1982 and $12.67 to $28.88 in 1981. At December 25, 1982, options for 33,700 shares were exercisable. In 1982, 111,167 options were cancelled (excluding the 374,137 cancelled due to their exercise as stock appreciation rights instead of stock options).

During 1982 there were additional grants of 479,661 shares (31,002 shares were subsequently cancelled), virtually all of which will be exercisable at $34.69.

Under the 1979 Incentive Plan, the Compensation Committee of the Board of Directors may award performance shares (each unit being limited to the market value of a share of PepsiCo capital stock on date of grant), and an equal number of stock options to purchase capital stock to senior management employees, and may award incentive stock units, rather than options, to other management employees. Performance shares are not paid unless PepsiCo achieves stated cumulative growth rates in earnings per share over the four-year period following the award. Incentive stock units are rights to receive shares of capital stock or their value, which vest over a period of time, without payment of any amounts to PepsiCo or satisfaction of any performance objectives.

Payments for performance share units and incentive stock units may be made in cash or in capital stock, or a combination thereof, as the committee decides. The aggregate number of shares of capital stock which may be delivered or purchased under the Plan may not exceed 4,600,000 shares. During 1980 and 1982, 1,081,731 performance share units were awarded, of which 942,471 were outstanding at December 25, 1982. From 1979 to 1982 incentive stock units were awarded of which 212,938 were outstanding at December 25, 1982. The cost of awards under the 1972 Performance Share Plan and the 1979 Incentive Plan is being charged to income ($3,996,000 in 1982, $10,452,000 in 1981 and $8,787,000 in 1980) over the applicable term of the award period.

Effective January 1, 1981, PepsiCo established a Tax Reduction Act Stock Ownership Plan (TRASOP) for the benefit of certain employees. Under this plan PepsiCo may make a tax creditable contribution of either cash or stock to a trust on behalf of participating employees. During 1982 PepsiCo contributed 286,507 shares to the TRASOP trust.

Note 7/Leases and Commitments

PepsiCo and its subsidiaries have noncancellable commitments for rental of restaurant facilities, office space, plant and warehouse facilities, transportation equipment and other personal property under both capital and operating leases. Certain franchised restaurants are leased and subsequently subleased to franchisees. Lease commitments on capital and operating leases expire at various dates to 2050 and 2025, respectively. An analysis of leased property under capital leases by major classes at December 25, 1982 and December 26, 1981, after restatement, is summarized as follows:

	1982	1981
	(in thousands)	
Buildings	$178,185	$172,738
Machinery and equipment	17,474	17,931
	195,659	190,669
Less accumulated amortization	79,170	71,078
	$116,489	$119,591

Following is a schedule by year of future minimum lease commitments and sublease receivables under all noncancellable leases (in thousands):

	Commitments		Sublease Receivables	
	Capital	Operating	Direct Financing	Operating
1983	$ 33,057	$ 56,338	$ (5,541)	$ (6,140)
1984	28,646	47,513	(5,590)	(6,044)
1985	24,824	40,263	(5,627)	(5,888)
1986	23,578	31,753	(5,595)	(5,524)
1987	22,461	24,168	(5,430)	(5,050)
Later years	180,350	145,878	(48,735)	(40,844)
Total minimum lease commitments (receivables)	$312,916	$345,913	$(76,518)	$(69,490)

The present value of minimum lease payments for capital leases amounts to $165,200,000 after deducting $6,890,000 for estimated executory costs (taxes, maintenance and insurance) and $140,826,000 representing imputed interest. The present value of minimum sublease receivables amounts to $33,062,000 after deducting $42,597,000 of unearned income. Total rental expense for all operating leases for years ended December 25, 1982, December 26, 1981 and December 27, 1980 was $109,764,000, $91,863,000 and $76,205,000, respectively. Total rental income from all operating subleases for years ended December 25, 1982, December 26, 1981 and December 27, 1980 was $9,238,000, $8,789,000 and $6,693,000, respectively.

At December 25, 1982, PepsiCo and its subsidiaries were contingently liable under direct and indirect guarantees aggregating $55,000,000.

Note 8/Income Taxes

The provision for U.S. federal and foreign income taxes is comprised of the following:

	1982	1981	1980
		(in thousands)	
Current:			
U.S.	$126,495	$147,282	$132,711
Foreign	26,098	41,195	45,322
Deferred (principally U.S.)	74,200	22,300	22,800
	$226,793	$210,777	$200,833

The provision for current U.S. federal income taxes excludes tax benefits in 1982 and 1981 of $150,132,000 and $225,698,000 respectively from tax lease transactions (see Note 1). Of the 1981 amount, $149,712,000 represents an income tax refund received in 1982 which is included in Current Portion of Investment in Tax Leases at December 26, 1981.

U.S. and foreign income before federal and foreign income taxes and the 1980 extraordinary charge were as follows:

	1982	1981	1980
		(in thousands)	
U.S.	$518,328	$388,160	$359,275
Foreign	12,153	120,101	102,263
	530,481	508,261	461,538
Unusual charge for reduction in net assets of foreign bottling operations	79,400	–	–
Total	$451,081	$508,261	$461,538

The differences between the effective (as restated) and statutory U.S. federal income tax rate are comprised of the following:

	1982	1981	1980
U.S. statutory rate	46.0%	46.0%	46.0%
Investment tax credits	(2.9)	(2.3)	(2.3)
Effect of earnings of foreign operations taxed at an aggregate rate less than the statutory U.S. rate	(.5)	(2.2)	(.2)
Other—net	.2	–	–
	42.8	41.5	43.5
Effect of unusual charge for reduction in net assets of foreign bottling operations without tax benefits	7.5	–	–
Effective rate	50.3%	41.5%	43.5%

Deferred income tax expense arises from the following items:

	1982	1981	1980
		(in thousands)	
Excess of tax over financial statement expense related to financing transactions	$26,900	$ 5,900	$ –
Excess of tax over financial statement expense related to depreciable assets (including capital leases)	20,300	23,800	23,500
Deferral of income from installment sales	11,000	–	–
Deferral of investment tax credit benefits	9,800	4,000	9,500
Other–net	6,200	(11,400)	(10,200)
	$74,200	$22,300	$22,800

U.S. and foreign income taxes payable consists of the following:

	1982	1981
	(in thousands)	
US	$37,325	$23,232
Foreign	22,348	26,489
	$59,673	$49,721

Deferred income taxes payable include:

	1982	1981
	(in thousands)	
Deferred income taxes	$184,300	$ 95,700
Deferred investment tax credits	64,800	55,000
	$249,100	$150,700

In August 1981 the Internal Revenue Service issued a 30-Day Letter to PepsiCo proposing income tax deficiencies of $55,000,000 for the years 1973 through 1976 relating to a reallocation to the U.S. parent company of a portion of the income of subsidiaries operating primarily in Puerto Rico and Ireland under tax incentive grants. PepsiCo intends to vigorously contest the proposed deficiencies. After consultation with outside tax counsel, management is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial position of the company.

In 1981 PepsiCo recognized tax benefits of $8,000,000 that became available under the Economic Recovery Tax Act of 1981 for the write-off of motor carrier operating rights (see Note 11), and set aside a like amount as an addition to its tax reserves.

Note 9/Employee Benefit Plans

PepsiCo and its subsidiaries have several non-contributory pension plans covering substantially all domestic employees (mostly non-union) The total pension expense for all plans for 1982, 1981 and 1980 was approximately $44,300,000, $48,000,000 and $42,400,000, respectively, which includes amortization of unfunded past service cost over 30 years for certain defined benefit plans During 1982 the company changed certain actuarial assumptions used in computing pension costs which reduced pension expense by $8,000,000. PepsiCo makes annual contributions equal to the amounts accrued for pension expense. A comparison of accumulated plan benefits and plan net assets for PepsiCo's domestic defined benefit plans is presented below:

	January 1 1982	1981
	(in thousands)	
Actuarial present value of accumulated plan benefits		
Vested	$201,778	$176,026
Non-vested	60,033	39,904
	$261,811	$215,930
Net assets available for benefits	$283,070	$255,811

The rate of return used in determining the actuarial present value of accumulated plan benefits was seven percent for both 1982 and 1981.

Note 10/Supplementary Income Statement Items

	1982	1981	1980
		(in thousands)	
Maintenance and repairs	$186,412	$168,134	$142,450
Depreciation and amortization of property, plant and equipment	223,505	200,257*	167,518*
Advertising costs	437,008	376,543	358,282
State income taxes	*19,966*	*25,875*	*20,206*

*As restated

Note 11/Extraordinary Charge—Write-off of Motor Carrier Operating Rights

Subsequent to the enactment of the Motor Carrier Act of 1980, which substantially deregulated the trucking industry, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 44 which generally required the write-off of interstate operating rights in the financial statements of motor carriers. Accordingly, PepsiCo recorded as an extraordinary charge in the fourth quarter of 1980 the write-off of operating rights of its transportation businesses aggregating $17,762,000 (19 cents per share).

Note 12/Litigation

In December 1982 suits purporting to be shareholder class actions were filed against PepsiCo, certain of its officers and directors, certain former officers and directors, and Arthur Young & Company, PepsiCo's Certified Public Accountants. The suits, now consolidated in the United States District Court for the Southern District of New York, allege, among other things, violations of federal securities laws arising out of events reported by PepsiCo in its Form 8-K Reports dated November 8, 1982 and December 14, 1982 which report financial irregularities discovered by PepsiCo in its foreign bottling operations (see Note 2). The suits fail to quantify the damage allegedly sustained. PepsiCo believes the suits are without merit and shall defend against them vigorously

PepsiCo and its subsidiaries are involved in various other litigated matters, but believe that none will have a material effect on PepsiCo's business or financial condition. PepsiCo intends to prosecute or defend vigorously, as the case may be, all such matters.

Report of Chief Financial Officer

To Our Shareholders:

PepsiCo, Inc is responsible for the integrity and objectivity of its financial statements To fulfill this reponsibility, PepsiCo maintains an accounting system and related controls directed towards the safeguarding of assets and the reliability of financial information An integral part of such controls is an internal audit program designed to monitor compliance with PepsiCo's policies and procedures

The international accounting firm of Arthur Young & Company has been retained to examine the financial statements of PepsiCo and to report to our shareholders the results of that examination Representatives of that firm meet regularly with the Audit Committee of the Board of Directors, composed entirely of nòn-employee directors, to discuss the results of their audit which includes a review and evaluation of PepsiCo's internal controls and financial reporting Arthur Young & Company's report to you on our financial statements is presented to the right

H. A. Schaefer

Herman A. Schaefer
Executive Vice President
and Chief Financial Officer

Report of Certified Public Accountants

Board of Directors and Shareholders
PepsiCo, Inc

We have examined the accompanying consolidated balance sheet of PepsiCo, Inc and subsidiaries at December 25, 1982 and December 26, 1981, and the related consolidated statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 25, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of PepsiCo, Inc. and subsidiaries at December 25, 1982 and December 26, 1981, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 25, 1982, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the change in 1982, with which we concur, in the method of accounting for foreign currency translation as described in Note 3 to the Consolidated Financial Statements

Arthur Young & Company

277 Park Avenue
New York, New York
February 4, 1983

Ten-Year Comparative Summary

PepsiCo, Inc and Subsidiaries

	1982[1]	1981*	1980*
Summary of Operations			
(in thousands except per common share)			
Net sales and other operating revenues	**$7,498,998**	$7,027,307	$5,975,281
Cost of sales and other operating revenues	**3,522,053**	3,452,552	3,021,016
Marketing, administrative and other expenses	**3,333,359**	2,961,657	2,410,005
Interest expense	**166,194**	149,667	114,673
Interest income	**(53,089)**	(44,830)	(31,951)
	6,968,517	6,519,046	5,513,743
	530,481	508,261	461,538
U.S. and foreign income taxes	**226,793**	210,777	200,833
	303,688	297,484	260,705
Equity in net income of PepsiCo Leasing Corporation	**—**	—	—
Unusual charge	**79,400[2]**	—	—
Net income	**224,288[2]**	297,484	260,705[3]
Per common share	**$ 2.40[2]**	$ 3 22	$ 2.86[3]
Cash dividends declared	**147,127**	129,944	114,886
Per common share	**$ 1.58**	$ 1.42	$ 1.26
Additions to property, plant and equipment	**476,178**	414,397	447,445
Depreciation and amortization	**230,405**	205,477	172,865
Average common shares and equivalents	**94,904**	93,060	91,165
Year-End Position			
(in thousands except per common share)			
Working capital	**244,931**	331,810	331,303
Property, plant and equipment—net	**2,049,191**	1,900,617	1,736,570
Total assets	**4,197,470**	4,040,046	3,399,872
Long-term debt[4]	**864,151**	821,027	786,319
Shareholders' equity	**1,650,465**	1,556,264	1,380,855
Per common share	**$ 17.68**	$ 16.99	$ 15.13
Common shares outstanding	**93,374**	91,605	91,277
Statistics and Ratios			
Current assets to current liabilities	**1.2 to 1**	1.2 to 1	1.3 to 1
Return on average shareholders' equity	**14.0%**	20.3%	19.8%[3]
Return on revenues	**3.0%**	4 2%	4 4%[3]
Long-term debt[4] to total capital employed[4][5]	**28.4%**	27.2%	31.4%
Total debt[4] to total capital employed[4][5]	**34.7%**	40 8%	36 9%
Employees	**133,000**	120,000	111,000
Shareholders	**48,000**	49,000	51,000

*Amounts presented for 1978 through 1981 reflect the restatement (where applicable).

[1] PepsiCo adopted Statement of Financial Accounting Standards No 52 (SFAS 52) on foreign currency translation at the beginning of 1982. Prior year results have not been restated for SFAS 52
[2] The unusual charge relates to a reduction in net assets of foreign bottling operations which reduced net income per share by 83 cents The charge is without tax benefit
[3] Excludes extraordinary charge of $17,762 (19 cents per share)
[4] Includes capital leases
[5] Total capital employed is total debt, shareholders' equity, deferred income taxes and other liabilities and deferred credits

1979*	1978*	1977	1976	1975	1974	1973
$5,088,632	$4,300,006	$3,649,291	$3,109,366	$2,709,373	$2,408,808	$1,938,851
2,590,755	2,225,182	1,881,742	1,639,937	1,487,922	1,361,701	1,055,334
2,031,689	1,647,025	1,392,195	1,153,400	970,049	835,959	699,864
73,121	51,996	45,983	45,000	52,096	55,998	36,053
(25,520)	(21,748)	(25,643)	(26,034)	(21,292)	(18,313)	(13,701)
4,670,045	3,902,455	3,294,277	2,812,303	2,488,775	2,235,345	1,777,550
418,587	397,551	355,014	297,063	220,598	173,463	161,301
168,198	174,337	158,273	135,328	98,964	75,536	74,494
250,389	223,214	196,741	161,735	121,634	97,927	86,807
–	–	–	–	1,852	2,345	2,699
–	–	–	–	–	–	–
250,389	223,214	196,741	161,735	123,486	100,272	89,506
$ 2.70	$ 2.40	$ 2.14	$ 1.79	$ 1.38	$ 1.13	$ 1.01
102,449	88,385	67,021	47,764	37,085	31,755	27,783
$ 1.105	$ .975	$ .825	$ .633	$ .500	$ .433	$ .380
386,885	364,539	275,116	191,767	139,838	194,614	182,567
142,053	117,019	93,723	79,057	72,739	64,832	54,031
92,808	92,883	92,046	90,600	89,288	89,008	88,798
346,987	356,859	422,554	424,817	369,772	305,108	172,426
1,394,679	1,137,010	885,328	713,191	614,803	590,749	495,553
2,888,853	2,416,804	2,130,294	1,853,599	1,660,577	1,603,892	1,358,572
618,950	479,134	467,808	433,887	463,857	482,491	345,661
1,246,628	1,165,104	1,003,401	868,480	719,532	630,367	560,004
$ 13.71	$ 12.52	$ 10.93	$ 9.50	$ 8.09	$ 7.12	$ 6.34
90,954	93,075	91,794	91,420	88,894	88,563	88,396
1.4 to 1	1.5 to 1	1.7 to 1	1.9 to 1	1.9 to 1	1.7 to 1	1.4 to 1
20.8%	20.6%	21.0%	20.4%	18.3%	16.8%	16.9%
4.9%	5.2%	5.4%	5.2%	4.6%	4.2%	4.6%
29.2%	26.3%	29.2%	30.6%	34.9%	36.3%	31.1%
33.7%	29.4%	32.2%	34.2%	40.2%	47.6%	43.8%
105,000	95,000	83,000	77,000	71,000	68,000	63,000
53,000	55,000	52,000	48,000	49,000	51,000	52,000

PepsiCo, Inc. Directors and Officers

Directors
Victor A Bonomo
President, PepsiCo International and Executive Vice President, PepsiCo, Inc.
William T Coleman, Jr.
Partner, O'Melveny & Myers
Clifton C Garvin, Jr.
Chairman of the Board and Chief Executive Officer, Exxon Corporation
John V James
Chairman of the Board and Chief Executive Officer, Dresser Industries, Inc.
Donald M Kendall
Chairman of the Board and Chief Executive Officer, PepsiCo, Inc
T Vincent Learson
Member of the Board of Directors and Retired Chairman, International Business Machines Corporation
Thomas A Murphy
Retired Chairman of the Board and Chief Executive Officer, General Motors Corporation
Andrall E. Pearson
President and Chief Operating Officer, PepsiCo, Inc.
Herman A Schaefer
Executive Vice President and Chief Financial Officer, PepsiCo, Inc.
Robert H Stewart, III
Chairman of the Executive Committee, Interfirst Corporation
Robert S Strauss
Partner
Akin, Gump, Strauss, Hauer & Feld
Peter K. Warren
Executive Vice President, PepsiCo, Inc
Dr Arnold R Weber
President, University of Colorado

Committees
Audit Committee
Messrs. Learson (chairman), Coleman, Garvin, James, Murphy, Stewart, Strauss and Weber
Compensation Committee:
Messrs. Stewart (chairman), Coleman, Garvin, James, Learson, Murphy, Strauss and Weber
Executive Committee
Messrs. Kendall (chairman), Bonomo, Garvin, Learson, Pearson, Schaefer, Stewart and Warren

Officers
Donald M Kendall
Chairman of the Board and Chief Executive Officer
Andrall E. Pearson
President and Chief Operating Officer
Victor A Bonomo
Executive Vice President
Herman A. Schaefer
Executive Vice President and Chief Financial Officer
Peter K. Warren
Executive Vice President
D. Wayne Calloway
Senior Vice President
John Sculley
Senior Vice President
Donald N. Smith
Senior Vice President
Mehdi R. Ali
Vice President and Treasurer
Robert H. Beeby
Vice President
Richard P. Campbell, Jr.
Vice President
Robert L Carleton
Vice President and Controller
Cartha D DeLoach
Vice President
William J Gill
Vice President
Edward V Lahey, Jr
Vice President, General Counsel and Secretary
Harvey Luppescu
Vice President
Frank L Peck
Vice President
Harvey C. Russell
Vice President
Edward F. Walsh
Vice President
Robert O Barber
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John J Flaherty
Assistant Controller
Michael B Purvis
Assistant Controller
Peter D Houchin
General Assistant Treasurer
James R English
Assistant Treasurer
Judith Norman Davis
Assistant Treasurer
Lawrence F. Dickie
Assistant Secretary

Executive Offices
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Principal Divisions and Subsidiaries
Pepsi-Cola Company
Purchase, New York 10577
John Sculley, President
Frito-Lay, Inc.
Frito-Lay Tower
Exchange Park
Dallas, Texas 75235
D Wayne Calloway, President
PepsiCo International
Purchase, New York 10577
Victor A Bonomo, President
Pizza Hut, Inc
9111 East Douglas
Wichita, Kansas 67201
Arthur G Gunther, President
North American Van Lines, Inc
5001 U S. 30 West
Fort Wayne, Indiana 46801
Kenneth W. Maxfield, President
Lee Way Motor Freight, Inc.
3401 N.W. 63rd Street
Oklahoma City, Oklahoma 73157
Richard L. Frucci, President
Wilson Sporting Goods Co
2233 West Street
River Grove, Illinois 60171
Robert H. Beeby, President
Taco Bell
16808 Armstrong Avenue
Irvine, California 92714
Charles L. Boppell, President
PepsiCo Foods International
4141 Blue Lake Circle
Suite 260
Dallas, Texas 75234
Michael H. Jordan, President
Pepsi-Cola Bottling Group
Purchase, New York 10577
Robert G. Dettmer, President
PepsiCo Bottling International
Purchase, New York 10577
Thomas J. Rattigan, President
PepsiCo Wines and Spirits International
Purchase, New York 10577
Norman Heller, President
PepsiCo Food Service International
Purchase, New York 10577
Graham G. Butler, President

Capital Stock
Shares of PepsiCo Capital Stock are traded on the New York and Midwest Stock Exchanges

Form 10-K
Copies of PepsiCo's Form 10-K Report to the Securities and Exchange Commission may be obtained without charge from the Director of Corporate Communications, PepsiCo, Inc., Purchase, New York 10577

Auditors
Arthur Young & Company
277 Park Avenue
New York, New York 10172

Transfer Agent
Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10007
(212) 587-6415

Dividend Reinvestment Agent
Morgan Guaranty Trust Company of New York
Dividend Reinvestment Plan
P.O. Box 3506
Church Street Station
New York, New York 10242
(212) 587-6525

Annual Meeting
The Annual Meeting of Shareholders will be held at the offices of the corporation, Purchase, New York, at 10.00 a.m (EDT) Wednesday, May 4, 1983. Proxies for the meeting will be solicited by management in a separate Proxy Statement. This report is not part of such proxy solicitation.

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